

# Wisconsin Deferred Compensation Program

December 31, 2003  
Investment Performance Report



**Nationwide<sup>®</sup>**  
Retirement Solutions

a Nationwide Financial company

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# **WISCONSIN DEFERRED COMPENSATION PLAN INVESTMENT PERFORMANCE REPORT EXECUTIVE SUMMARY DECEMBER 31, 2003**

The Wisconsin Deferred Compensation Plan (WDC) currently offers 17 investment options, including the Schwab Personal Choice Retirement Account option, through its third party administrator, Nationwide Retirement Solutions, Inc. (Nationwide). This review details the evaluation of the performance of these options for the period ending December 31, 2003. This report also includes statistical information about WDC participation and a breakdown of where the assets are invested.

NRS' goal is to assist the WDC in providing a well-diversified and complete list of investment options' which meets the retirement planning needs of the Wisconsin Deferred Compensation Plan participants. Our objective is to provide a simple, yet thorough evaluation of your current variable options and to provide recommendations for closing funds that fail to meet performance benchmarks and to add additional qualified funds.

As part of the fund selection and evaluation process, Nationwide Retirement Solutions has compiled this Annual Investment Performance Report to provide you with detailed performance information for the investment options made available to the WDC. Each investment option is compared with the appropriate Morningstar Category or peer group average and the most appropriate market index. These evaluations appear on the bar charts on the following pages throughout this report.

Following the 2002 investment review, the following changes were made to the WDC's investment spectrum during 2003:

- The Dreyfus Premier Third Century Fund (Class R) was closed to new participant elections effective February 20, 2003
- The Calvert Social Investment Fund: Equity Portfolio (Class I) was added on April 21, 2003
- The Small Cap Equity Index Fund (Barclays Global Investors) was approved for addition and was opened to participants on February 23, 2004

Minimum Criteria for Selecting and Evaluating Fixed Income Options	
Bank Option	<ul style="list-style-type: none"> <li>• FDIC insured</li> <li>• Capital ratio as required by US government to maintain FDIC coverage</li> <li>• Minimum size - \$1 billion in assets</li> </ul>
Insurance Option	<ul style="list-style-type: none"> <li>• Top rating received by at least <b>2 rating agencies</b></li> <li>• No rating below a Double A or equivalent</li> <li>• Total capital (equivalent to total assets minus total liabilities) equal to at least 5% of invested assets</li> <li>• High risk assets (non-investment grade bonds and non-performing real estate loans and investments) under 200% of total capital</li> <li>• Performance returns compared to blended 5-year Treasury rates, or other index as appropriate</li> </ul>
Stable Value Fund Manager	<ul style="list-style-type: none"> <li>• Minimum five years experience managing stable value assets</li> <li>• Minimum \$2 billion in discretionary assets under management</li> <li>• Investment guidelines and performance benchmark as approved by Board</li> </ul>
Minimum Criteria for Selecting and Evaluating Mutual Fund Options	
<b>Selection criteria:</b> <i>Requirements apply to all mutual funds unless specifically waived</i>	<ul style="list-style-type: none"> <li>• Minimum 5 year operating history – may be waived for index funds</li> <li>• Expense ratio [internal expense charge plus any 12(b)1 fee] not greater than the mean for the appropriate peer group</li> <li>• 5-year rolling average performance must equal or exceed appropriate benchmark or index</li> <li>• Minimum total asset size of \$400 million – may be waived for certain categories of funds</li> <li>• Anticipated WDC assets not greater than 5% of total fund (determined by comparing current WDC asset levels in a comparable fund)</li> <li>• No loads or sales charges unless they are waived for the WDC</li> <li>• Not a sector fund</li> </ul>
<b>Monitoring Criteria:</b> <i>Requirements apply to all mutual funds unless specifically waived</i>	<ul style="list-style-type: none"> <li>• Performance must meet or exceed one or more of established benchmarks – benchmarks used include, but are not limited to 1) peer group average, 2) appropriate index as determined by Board, and 3) internal benchmark assigned by fund manager.</li> <li>• For specialty funds selected for reasons other than performance (e.g., socially responsive funds), performance will only be evaluated based on a comparison to the funds peer group of funds with same specialty objective. [Participants will be fully advised that fund is selected for reasons other than investment returns.]</li> <li>• WDC assets in fund no greater than 10% of the total mutual fund assets</li> <li>• After 5 years in WDC, minimum of 3% of participants or 3% of assets.</li> </ul>

## PERFORMANCE ANALYSIS

**International Stock Funds:** As of 12/31/03, there were two available options in this asset class:

- *T. Rowe Price International Stock Fund*
- *EAFE Equity Index Fund*

The *T. Rowe Price International Stock Fund* failed to meet its benchmarks for the one, and five-year periods, while its three and ten-year return exceeded one of three benchmarks.

The fund implemented a two team structure in 1999 which consisted of the original regional team plus a new sector team involving a single portfolio manager supported by a sector-oriented research effort. This structure attempted to improve the fund by incorporating more of the global markets in the management's decision making process.

This two team structure also created some challenges which contributed to less competitive performance, at times slowing the implementation of investment ideas by management.

As a result, effective March 1, 2004, the fund will return to a single team structure, although management will continue to use a sectoral and regional strategy. The team will be led by Mark Bickford-Smith who is a long-standing member of that team.

A restructure of Morningstar's Foreign Stock Category occurred 9/30/2003 which reclassified the fund as a Foreign Large Growth Fund. This new classification improves the fund's performance relative to the new peer group over recent historical periods, however, it has continued to under perform the Morgan Stanley Capital International, Inc. Europe, Australasia, and Far East Index (MSCI EAFE Index).

The T. Rowe Price International Stock Fund has experienced a lengthy record of under performing the MSCI EAFE Index and the Morningstar Foreign Stock Category. However, the recent reclassification by Morningstar on 9/30/2003 places the fund in the Foreign Large Growth Category. Performance has improved relative to the more specific growth investment strategy. The fund falls within the top half of the Foreign Large Growth Category for seven of the past ten calendar years, never falling below the third quartile. Three-year performance falls just outside the top third, while the one and five-year performance dips just below the midpoint of the category. There are better foreign stock options available, however, the fund's performance does not meet criteria for removal at this time. Its low expense ratio and lower volatility compared to its peers merits consideration to retain the fund.

The *EAFE Equity Index Fund* under performed its benchmark index for all periods after allowing for the fund's expenses of 0.10%.

The underperformance for The EAFE Equity Index Fund is primarily attributed to tracking error from the futures contracts in which the fund invests, client flows and management fees. Client flows were the biggest contributor to the underperformance of the fund since the inception of the fund in February 2001. BGI has taken a number of actions to reduce the performance impact attributed to client flows, including changes to its fair value pricing policy for daily EAFE funds effective January 2004.

**Small Cap Stock Funds:** As of 12/31/03, there was one available option in this asset class:

- *DFA U.S. Micro Cap Portfolio*

The *DFA U.S. Micro Cap Portfolio* met or exceeded one or more performance benchmarks for the one, three, five and ten-year periods. 2003 was a particularly attractive year for the fund in comparison to most others, gaining 60.72%. The fund invests in the smallest 4% of domestic equity companies and is broadly diversified with anywhere between 2,500 and 3,000 holdings, though it tends to be more aggressive due to its ultra-small stock focus. The market's bias toward cheaper, smaller stocks in the past few years has helped this fund perform in the top third of its category for the past three calendar years.

**Mid Cap Stock Funds:** As of 12/31/03, there were two available options in this asset class:

- *T. Rowe Price Mid Cap Growth Fund*
- *MidCap Equity Index Fund*

The *T. Rowe Price Mid Cap Growth Fund* met or exceeded one or more performance benchmarks for the one, three, five and ten-year periods. Management continues to look for companies with sound business models while also paying close attention to valuations. This management approach has helped the fund perform in the top third of its category since 2000. The fund was closed to new investors on 12/8/2003, however, this action has no impact on Wisconsin participants.

The *MidCap Equity Index Fund* closely tracks its benchmark index for the time periods reviewed after allowing for the fund's expenses of 0.04%.

**Large Cap Stock Funds:** As of 12/31/03, there were four available options in this asset class. The Dreyfus Premier Third Century Fund (Class R) was restricted on February 20, 2003 so that no new purchases were permitted. The Calvert Social Investment Fund (Class I) was added to the plan on April 21, 2003.

- *Janus Fund*
- *The Dreyfus Premier Third Century Fund (Class R)*
- *Calvert Social Investment Fund – Equity Portfolio (Class I)*
- *Fidelity Contrafund*
- *Vanguard Institutional index Fund (Instl Plus Shares)*

The U.S. equity markets experienced positive returns for the first time in four years, with the S&P 500 Index gaining 28.67%.

The *Janus Fund* exceeded all benchmarks for 2003 and the Lipper Large Cap Growth Funds for all periods reviewed, however, it failed to meet or exceed any other benchmarks for the three and five-year periods. The total return for the Janus Fund in 2003 was 31.71% which ranks in the top quartile of the large growth category.

Manager Blaine Rollins looks for more speculative stocks that can be held for long periods. Though the fund did not own a lot of technology related stocks during 2003, the ones it held performed well. The fund has under performed the average large growth fund for two of the past four years, causing the three-year ranking to fall just below the midpoint of the large growth category.

Janus was one of the first fund groups mentioned in the market timing investigations initiated by New York Attorney General, Elliott Spitzer. Although the fund has earmarked \$31.5 million for restitution to shareholders following its own investigation of trading practices, it remains to be determined how this amount will be apportioned to individual accounts.

*The Dreyfus Premier Third Century Fund (Class R)* failed to meet any of its performance benchmarks for the one, three and five-year periods. All deferrals to this investment option will be discontinued on 7/1/2004 and all assets must be transferred to an alternative investment option by 12/31/2004.

*Calvert Social investment Fund – Equity Portfolio (Class I)* – This socially responsible investment fund trailed its peers in 2003 primarily because of its strategy of holding blue chip stocks with solid financials and steady rates of earnings growth, while the market was driven by lower quality securities. Until 2003, when the fund's performance placed in the bottom quartile, Daniel Boone III, who took over management of the fund in 1998, this fund had performed in the top half of its peer group each year. It meets or exceeds one of more performance benchmarks for the three and five-year periods. This fund was added to the plan on April 21, 2003, replacing The Dreyfus Premier Third Century Fund (Class R) as a socially responsible investment option.

The *Fidelity Contrafund* meets or exceeds one or more of its benchmarks for all periods reviewed. The fund tends to be more conservative than its large-blend rivals, with under weight positions in technology. The returns this fund has posted handily beats the S&P 500 and its average peer over the last ten years, with less volatility than the norm.

The *Vanguard Institutional Index Plus Fund* meets or exceeds its benchmark index for all time periods reviewed.

**Balanced Funds:** As of 12/31/03, there was one available option in this asset class:

- *Vanguard Wellington Fund (Admiral Shares)*

The *Vanguard Wellington Fund (Admiral Shares)* meets or exceeds one or more of its performance benchmarks for all time periods reviewed. This fund typically employs a value strategy and has low exposure to technology stocks. The bond portion of the portfolio emphasizes high quality issues. The strategy has resulted in returns in the top half of its peer group since 2000.

**Bond Funds:** As of 12/31/03, there were three available options in this asset class:

- *Vanguard Long – Term Corporate Fund (Admiral Shares)*
- *U.S. Debt Index Fund*
- *Federated U.S. Government Securities Fund: 2-5 Year (Instl Shares)*

Bond funds failed to outperform stock funds for the first time in four years. Concern regarding higher interest rates has caused many bond fund managers to adopt a more conservative, shorter maturity investment strategy for 2003.

The *Vanguard Long – Term Corporate Fund (Admiral Shares)* exceeded one or more performance benchmarks for each time period reviewed. The fund invests mainly in high-quality corporate bonds, but may also invest up to 20% in government securities. This fund will tend to be more sensitive to interest-rate shifts than many of its peers due to its longer duration.

The *Federated U.S. Government Securities Fund – 2-5 Year (Instl Shares)* exceeds one or more performance benchmarks for all time periods reviewed. This fund stands apart from most in its category because it does not invest in mortgage-backed securities, opting to invest in either Treasuries or agency bonds. This strategy has resulted in a longer duration than most of its peers, making it much more interest-rate sensitive. During the last four years of declining interest rates, this fund has performed in the top quintile of its category.

The *U.S. Debt Index Fund* tracks closely with its benchmark after allowing for the fund expenses of 0.06%.



**Fixed Account/Cash:** As of 12/31/03, there were three available options in this asset class:

- *Vanguard Admiral Treasury Money Market Fund*
- *Stable Value Fund*
- *FDIC Bank Option*

Stable Value portfolios had another year of relatively steady returns exceeding 5% in an environment where short-term yields fell below 1%. With U.S. Treasury yields at 40-year lows, the likelihood of further meaningful interest rate declines seems remote. It is widely believed that interest rates will remain in a trading range around current levels in the months immediately ahead. The interest rate cuts that have occurred over the last two years have hindered the returns on money market mutual funds.

The *Vanguard Admiral Treasury Money Market Fund* experienced a 0.99% return in 2003 compared to 1.69% in 2002 and 4.16% in 2001. The current yield at year-end was 0.86%, reflecting the continued decline in interest rates during 2002. This fund exceeded its performance benchmark for the one, three, and five-year periods.

The *Stable Value Fund* returned 5.59% in 2003 (Gross of Fees), compared to 5.88% in 2002, and 6.54% in 2001. The Fund exceeded its performance benchmark for all periods reviewed. The blended yield as of 12/31/2003 was 5.11%.

Participants in the *FDIC option* earned a total annual return of 1.95% in 2002, down from 5.05% in 2001. The 1<sup>st</sup> quarter 2004 rate was 1.05%.

# Equity Funds

## Morningstar Style Boxes

\* Closed to participants as of 02/20/03

\*\* Added as of 04/21/03

\*\*\* Added as of 02/23/04

	Value	Blend	Growth
Large Cap		Calvert Soc Invest Equity A ** Fidelity Contrafund Vanguard Institutional Index Inst Plus	Janus Fund Dreyfus Prem Third Century R *
(Intl)		EAFE Equity Index Fund	T. Rowe Price Intl Stock
Mid Cap		MidCap Equity Index Fund	T. Rowe Price Mid Cap Growth
Small Cap		DFA U.S. Micro Cap Portfolio Small Cap Equity Index Fund ***	

# Fixed Acct/Cash & Balanced

## Morningstar Style Boxes

	Short	Intermediate	Long
Long-Term Bonds			Vanguard Long-Term Corp Adm
Interm-term Bonds		U.S. Debt Index Fund	
Short-Term Govt	Federated U.S. Govt 2-5 Yr Instl		
Fixed Inc / Cash	Stable Value Fund FDIC Option Vanguard Adm Treas MMKT		
	Balanced		Asset Allocation
	Vanguard Wellington Fund Adm		

# PLAN ASSETS

AS OF DECEMBER 31, 2003

INVESTMENT OPTION	AVERAGE ACCOUNT VALUE	# OF WDC PARTICIPANTS	% OF WDC PARTICIPANTS	TOTAL ASSET VALUE	% OF WDC ASSETS
CEYIX	\$3,375.93	911	0.55%	\$3,075,469.16	0.23%
FDIC	\$11,076.00	2,862	1.73%	\$31,699,506.48	2.36%
STABLE	\$17,697.24	13,282	8.02%	\$235,054,806.99	17.53%
VUSX	\$7,602.79	3,544	2.14%	\$26,944,277.63	2.01%
FIGT	\$4,525.70	3,595	2.17%	\$16,269,894.40	1.21%
VWET	\$5,017.69	8,787	5.31%	\$44,090,398.88	3.29%
BUSD	\$2,812.68	1,723	1.04%	\$4,846,240.87	0.36%
VWEN	\$8,907.02	14,553	8.79%	\$129,623,890.86	9.67%
VINI	\$9,561.83	19,131	11.56%	\$182,927,384.73	13.64%
JANS	\$6,837.20	20,312	12.27%	\$138,877,177.02	10.36%
FCNT	\$9,587.99	20,610	12.45%	\$197,608,497.36	14.74%
DRTH	\$4,700.66	5,578	3.37%	\$26,220,284.31	1.96%
RPMG	\$5,949.32	17,005	10.27%	\$101,168,263.94	7.55%
DFSC	\$7,095.31	13,380	8.08%	\$94,935,256.29	7.08%
BMDC	\$4,039.07	4,471	2.70%	\$18,058,677.34	1.35%
PRIT	\$4,579.14	13,466	8.13%	\$61,662,723.78	4.60%
BEQI	\$1,997.12	1,609	0.97%	\$3,213,369.88	0.24%
PCRA	\$33,458.49	732	0.44%	\$24,491,613.54	1.83%
<b>TOTAL</b>		<b>165,551</b>		<b>\$1,340,767,733.46</b>	<b>100%</b>

## Key to Investment Options:

CEYIX	Calvert Social Inv Equity Fund I
FDIC	Firstar Bank, Madison NA
STABLE	Stable Value Fund - formerly Great West Life Assurance
VUSX	Vanguard Admiral - US Treasury Money Market Portfolio
FIGT	Federated US Government Securities: 2-5 Year
VWET	Vanguard Admiral Long Term Corporate Portfolio
BUSD	US Debt Index Fund
VWEN	Vanguard Admiral Wellington Fund
VINI	Vanguard Institutional Index Fund
JANS	Janus Fund
FCNT	Fidelity Contrafund
DRTH	Dreyfus Third Century Fund
RPMG	T Rowe Price Mid Cap Growth Fund
DFSC	Dimensional Fund Advisors US Micro Cap
BMDC	MidCap Equity Index Fund
PRIT	T Rowe Price International Stock Fund
BEQI	EAFE Equity Index Fund
PCRA	Schwab Personal Choice Retirement Account

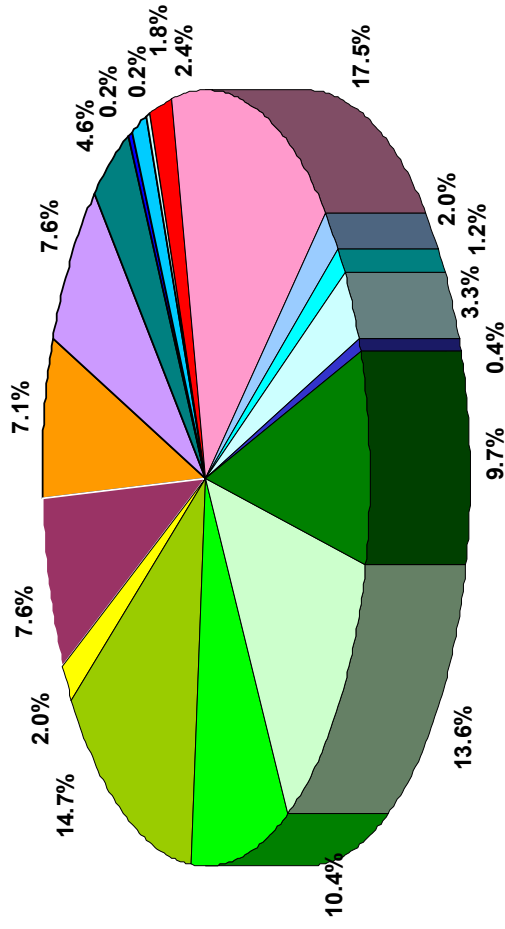
# Illustration of Investment Options

December 31, 2003

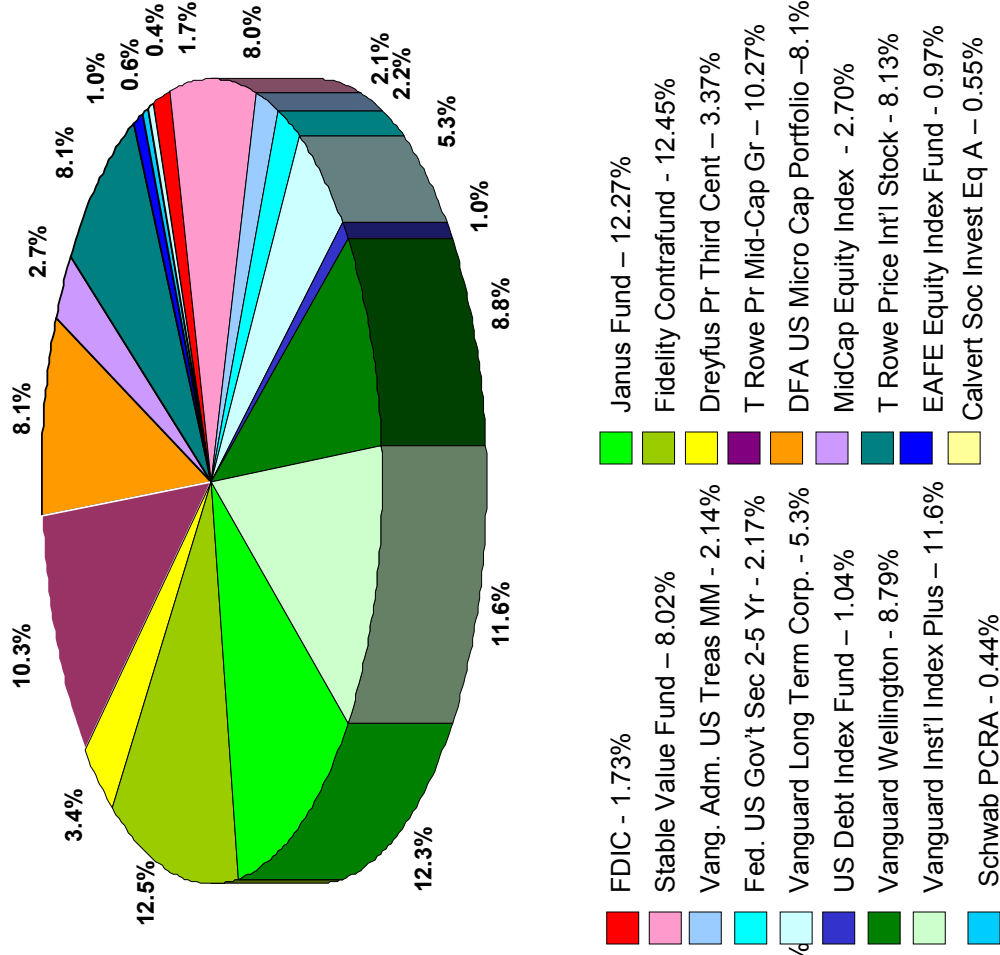
Total Plan Assets: \$1,340,767,733.46

Total Participant Accounts: 165,551

% of Assets



% of Accounts



## The Schwab Self-Directed Brokerage Account Quarterly Report for the State of Wisconsin plan as of 12/31/2003

Plan Profile Information	
Company Name	State of Wisconsin
Total PCRA Assets	\$24,491,617
Total PCRA Accounts	730
PCRA Accounts Opened this Quarter	23
PCRA Assets In and Out this Quarter*	\$1,186,345

PCRA Participant Profile Information	
Average PCRA Account Balance	\$33,550

Average Positions (per Account)	
Cash & Equivalents	1.0
Mutual Funds	3.8
Other	0.0
Total	4.8

Average Trades (per Account)	
Mutual Funds	1.3
Other	0.0
Total	1.3

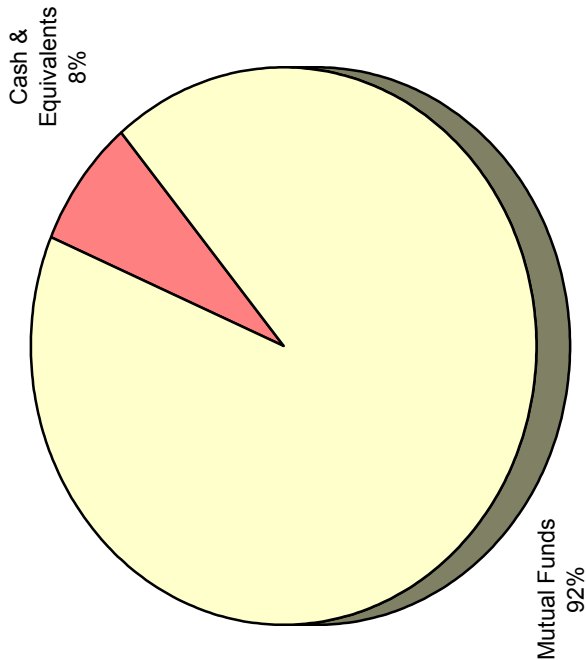
\* Assets In and Out includes contributions and distributions  
Top 10 Mutual Funds % does not include Money Market Funds  
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Top 10 Mutual Fund Holdings				
Artisan Intl Fd	ARTIX	\$ MF Assets	% MF Assets	
Oakmark Fund	OAKMX	\$460,640	2.03%	
Oakmark Select Fund	OAKLX	\$429,800	1.90%	
Oakmark Equity Income Fd	OAKBX	\$387,258	1.71%	
Thompson Plumb Growth Fund	THPGX	\$376,279	1.66%	
Rydex Otc Fund Investor Class	RYOCX	\$321,708	1.42%	
Marsico Focus Fund	MFOCX	\$278,996	1.23%	
Julius Baer Intl Equity Fund	JBIX	\$266,398	1.18%	
Selected American Shares	SLASX	\$259,781	1.15%	
Royce Low Priced Stock Fund	RYLPX	\$258,245	1.14%	
		\$257,799	1.14%	

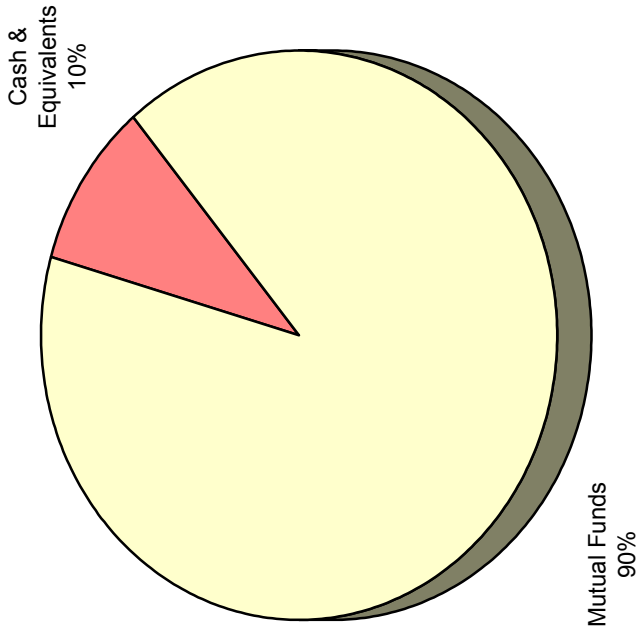
# The Schwab Self-Directed Brokerage Account Quarterly Report for the State of Wisconsin plan as of 12/31/2003

## Market Value Allocation - Asset Classes (Quarter over Quarter)

As of 12/31/2003



As of 09/30/2003



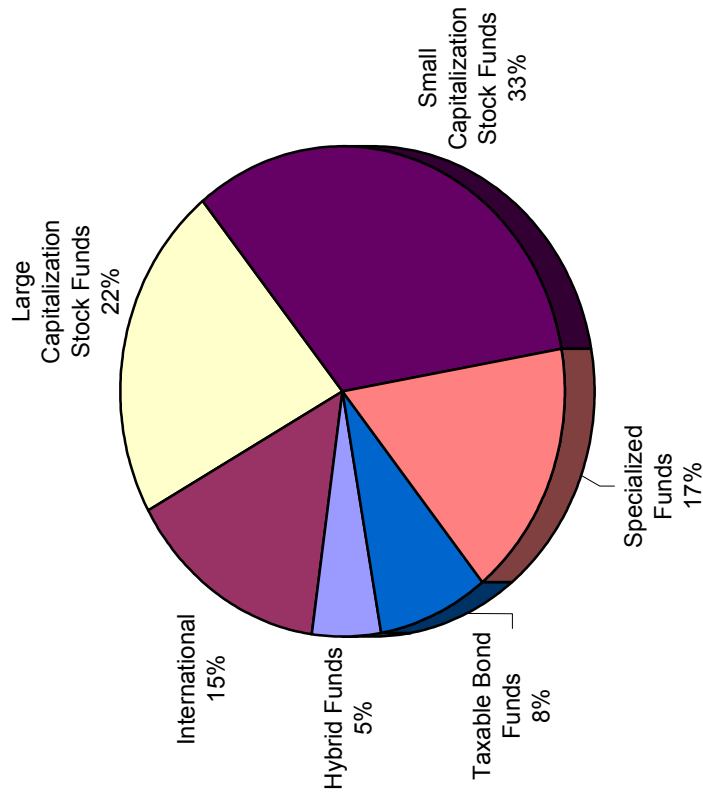
This chart illustrates the percent of PCRA participant assets in each noted asset class as a percentage of total PCRA assets. Percentages are calculated as of month end. Money market mutual funds are classified under Cash & Equivalents.

2002 Charles Schwab & Co., Inc. Member SIPC/NYSE (0802-10162)

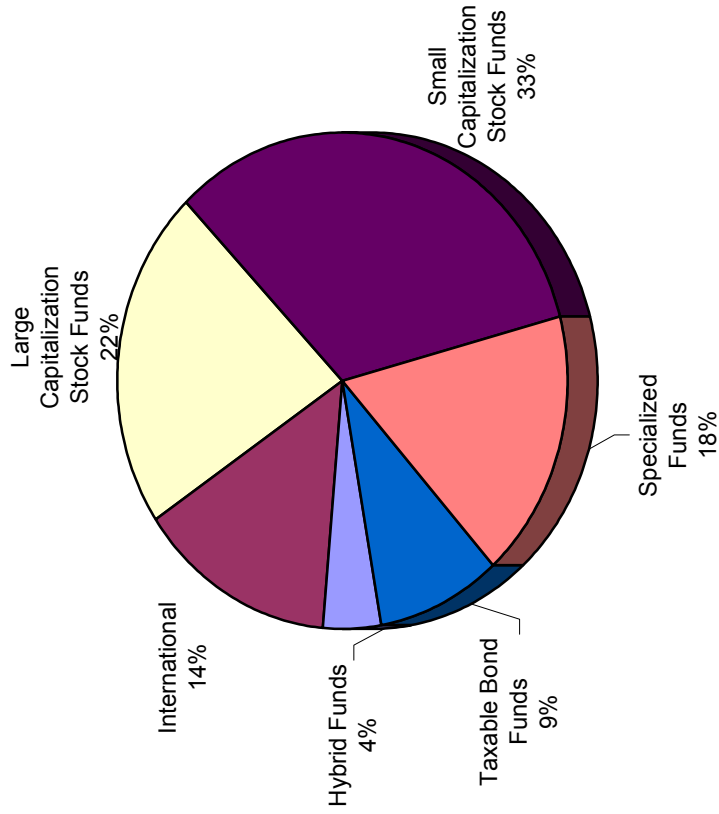
# The Schwab Self-Directed Brokerage Account Quarterly Report for the State of Wisconsin plan as of 12/31/2003

## Market Value Allocation - Mutual Funds

As of 12/31/2003



As of 09/30/2003



This chart illustrates the percent of PCRA participant assets in each mutual fund category, as classified by Morningstar Inc., as a percentage of total PCRA long-term mutual fund assets. Percentages are calculated as of month end. Small cap funds are subject to greater volatility than those in other asset categories. International investments are subject to additional risks such as currency fluctuation, political instability and the potential for illiquid markets. Since sector funds focus investments on companies involved in a particular sector, the funds may involve a greater degree of risk than an investment in other mutual funds with greater diversification. All data is for informational purposes only.

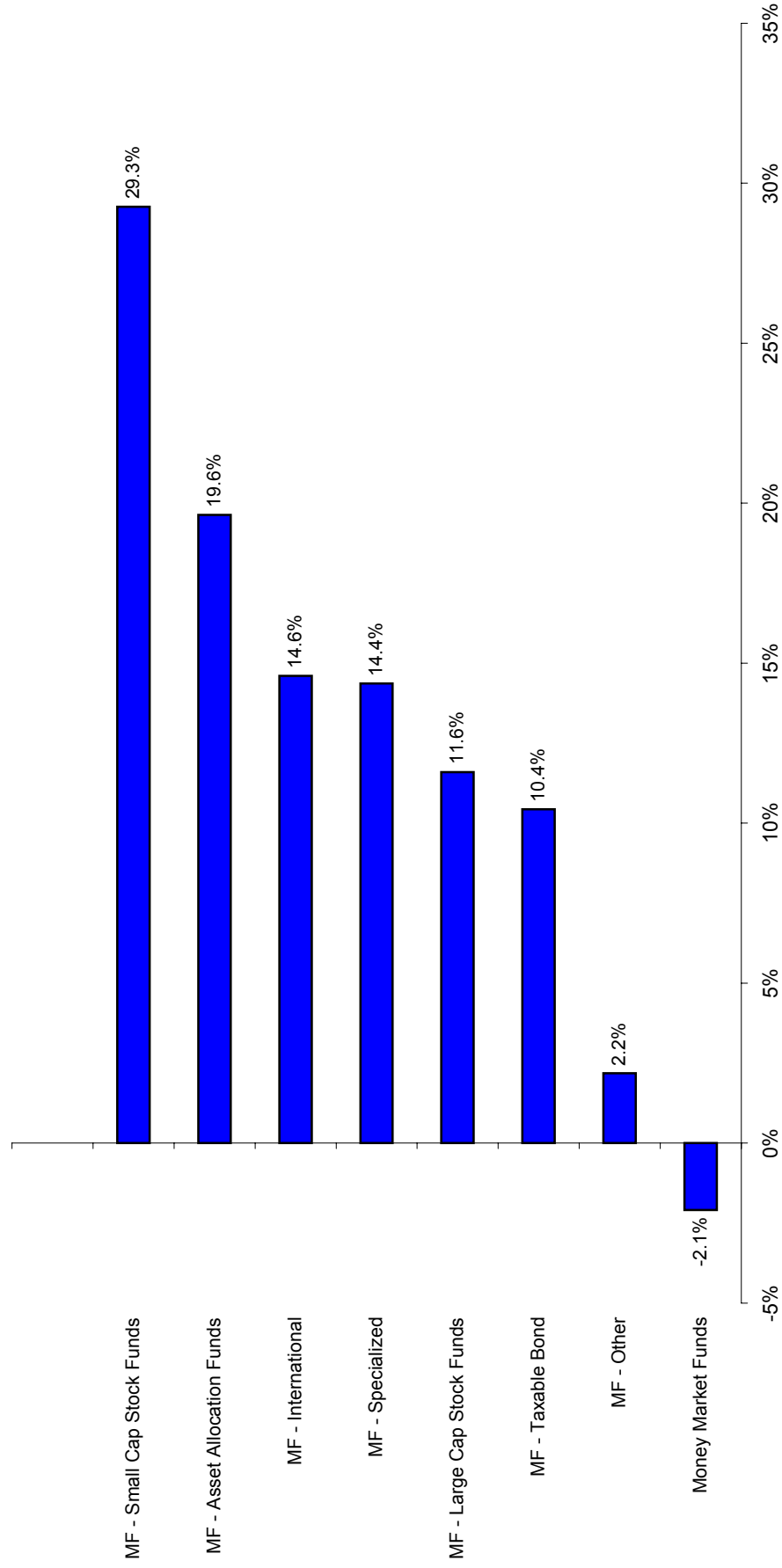
2002 Charles Schwab & Co., Inc. Member SIPC/NYSE (0802-10162)



# The Schwab Self-Directed Brokerage Account Quarterly Report for the State of Wisconsin plan as of 12/31/2003

## Net Asset Flow - All Investment Categories

3 month period ending 12/31/2003



This chart illustrates the percent of total net flows within each investment category, as classified by Standard & Poor's and Morningstar Inc., over the last three month period. Net flow percentages are calculated by adding the purchases and sales amounts within each respective investment category and dividing by the total net flows over the period. Data is for informational purposes only.

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# State of Wisconsin Deferred Compensation Plan

## Participant Cost Information by Investment Option

Investment Option Name	Expense Ratios % of Assets	Average Category Expense**
T. Rowe Price International Stock Fund	0.95%	1.55%
EAFE Equity Index Fund	0.10%	1.31%
DFA U.S. Micro Cap Portfolio	0.56%	1.35%
Small Cap Equity Index Fund	0.06%	1.35%
T. Rowe Price Mid Cap Growth Fund	0.88%	1.38%
MidCap Equity Index Fund	0.04%	1.24%
Janus Fund	0.89%	1.27%
The Dreyfus Premier Third Century Fund (Class R)	1.14%	1.27%
Calvert Social Investment Fund - Equity Portfolio (Class A)	1.29%	1.00%
Fidelity Contrafund	0.98%	1.00%
Vanguard Institutional Index Fund (Instl Plus Shares)	0.02%	1.00%
Vanguard Wellington Fund (Admiral Shares)	0.23%	1.03%
Vanguard Long-Term Corporate Fund (Admiral Shares)	0.19%	0.81%
U.S. Debt Index Fund	0.05%	0.80%
Federated U.S. Government Securities Fund: 2-5 Year (Instl Shares)	0.57%	0.76%
Vanguard Admiral Treasury Money Market Fund	0.14%	-

\*\* - Average expense ratios for Morningstar Categories are for fund share classes without a CDSC (Contingent Deferred Sales Charge)

## FEE STRUCTURE

### Participant Balance:

\$0 - \$ 5,000  
 \$ 5,001 - \$25,000  
 \$25,001 - \$50,000  
 \$50,001 - \$100,000  
 \$100,001 - \$150,000  
 \$150,000 and up

### Fee per mth/ year:

\$.50 mth / \$6 year  
 \$1.50 / \$18  
 \$3.00 / \$36  
 \$6.00 / \$72  
 \$8.33 / \$100  
 \$10.00 / \$120

## SUGGESTED PERFORMANCE BENCHMARKS FOR 2004 INVESTMENT PRODUCTS

Suggested new Benchmarks in *Italics*  
Deleted Benchmarks in **Bold**

INVESTMENT PRODUCT	2003 PERFORMANCE BENCHMARKS	2004 SUGGESTED PERFORMANCE BENCHMARKS
EAFE Equity Index Fund (Barclays Global Investors)	1. Morgan Stanley Capital International EAFE- Free (Europe, Australia Far East) Index *	No Change
T. Rowe Price International Stock Fund	1. MSCI EAFE Index* 2. Lipper International Fund Index* 3. Morningstar Foreign Category Average**	3. <b>Morningstar Foreign Category Avg **</b> 3. <i>Morningstar Foreign Large Cap Growth Category Avg **</i>
DFA U.S. Micro Cap Portfolio	1. Russell 2000 Index* 2. Morningstar Small Blend Category Average**	No Change
Small Cap Equity Index Fund		1. <i>Russell 2000 Index*</i>
T. Rowe Price Mid Cap Growth Fund	1. Lipper Mid Cap Growth Funds Average* 2. Russell Mid Cap Growth Index* 3. S&P 400 Mid Cap Growth Index** 4. Morningstar Mid Cap Growth Category Average**	No Change
MidCap Equity Index Fund (Barclays Global Investors)	1. S&P MidCap 400 Index *	No Change
Janus Fund	1. S&P 500 Index* 2. S&P 500 Barra Growth Index** 3. Lipper Large Cap Growth Fund Average* 4. Morningstar Large Cap Growth Category Average**	No Change
The Dreyfus Third Century Fund (Class R) (Closed to participants)	1. S&P 500 Index* 2. Domini Social 400 Index* 3. Morningstar Large Growth Category Average** 4. Morningstar Socially Responsible Large Growth Fund Average**	No Change

Evaluation of fund investment performance will be based on a 1, 3, 5, & 10 year rolling average measured against the corresponding benchmarks. Any fund that does not meet the benchmarks in any given year must be reviewed by the Board to determine the fund's continued acceptability.

\* Benchmarks used by the fund

\*\* Benchmarks used by the Board

INVESTMENT PRODUCT	2003 PERFORMANCE BENCHMARKS	2004 SUGGESTED PERFORMANCE BENCHMARKS
Calvert Social Investment Fund: Equity Portfolio (Class I)		1. S&P 500 Index* 2. Lipper Multi-Cap Core Funds Avg* 3. Calvert Social Index** 4. Morningstar Socially Responsible Large Cap Fund Average**
Fidelity Contrafund	1. S & P 500 Index* 2. Lipper Growth Fund Average* 3. Morningstar Large Blend Category Average** 4. Russell 3000 Index**	No Change
Vanguard Institutional Index Fund (Instl Plus Shares)	1. S & P 500 Index*	No Change
Vanguard Wellington Fund (Admiral Shares)	1. Lipper Balanced Average* 2. Morningstar Balanced Objective Average** 3. Composite of 65% S & P 500 Barra Value Index and 35% Lehman Brothers Aggregate Bond Index**	2. Morningstar Balanced Objective Avg** 2. Morningstar Moderate Allocation Funds Avg. **
Vanguard Long-Term Corporate Fund (Admiral Shares)	1. Lehman Brothers LT Corporate A or Better Bond Index* 2. Morningstar Long Term Corporate Category Average**	No Change
U.S. Debt Index Fund (Barclays Global Investors)	1. Lehman Brothers Aggregate Bond Index *	No Change
Federated U.S. Government Securities, 2-5 Year Institutional	1. Merrill Lynch 3-5 Year Treasury Index* 2. Lipper Short-Intermediate Term U.S. Government Average* 3. Morningstar Short Term Govt. Category - US Treasury Fund, 2-5 Yr Maturity Funds Average**	No Change
Vanguard Admiral Treasury Money Market Fund	1. iMoneyNet Money Fund Report Average 100% Treasury Fund*	No Change
Stable Value Fund (Galliard Capital Management)	1. Five Year Constant Maturity Treasury Rate (CMT)* 2. Hueler Analytics Pooled Fund Universe Average*	No Change
FDIC Option - M&I Bank of Southern Wisconsin	1. 75% 3-month LIBOR / 25% 12-month LIBOR	1. 75% 3-month LIBOR / 25% 12-month LIBOR (changed) 1. 50% 3-month LIBOR / 50% 12-month LIBOR

Evaluation of fund investment performance will be based on a 1, 3, 5, & 10 year rolling average measured against the corresponding benchmarks. Any fund that does not meet the benchmarks in any given year must be reviewed by the Board to determine the fund's continued acceptability.

\* Benchmarks used by the fund      \*\* Benchmarks used by the Board

## EXPLANATION OF AVERAGES AND INDICES USED AS BENCHMARKS

### ➤CALVERT SOCIAL INDEX

A benchmark of large and mid capitalization stocks that are screened based on social criteria such as workplace issues, environmental issues, product safety, human rights and corporate responsibility.

### ➤DOMINI SOCIAL 400 INDEX

Capitalization-weighted common stock index consisting of 400 corporations that have passed multiple, broad-based social screens.

### ➤FIVE YEAR CONSTANT MATURITY RATE

Calculated daily by the U.S. Treasury Department, based on the most actively traded marketable treasury securities. Yields on these issues are based on composite quotes reported by U.S. Government Securities Dealers to the Federal Reserve Bank of New York.

### ➤HUELER ANALYTICS STABLE VALUE POOLED FUND COMPARATIVE UNIVERSE

Represents the investment strategies of approximately \$60 billion invested in 27 funds with contracts written by 33 general account issuers and 15 synthetic guarantors.

### ➤IMONEYNET MONEY FUND REPORT AVERAGE 100% TREASURY FUND

iMoneyNet's flagship weekly publication that provides asset, yield, average maturity and portfolio holdings information for 1,500 taxable and tax-exempt money market funds.

### ➤LEHMAN BROTHERS LONG TERM CORPORATE AA OR BETTER BOND INDEX

Included all public-issued non-convertible investment-grade corporate debts which have a maturity of 10 years or more.

### ➤LIPPER BALANCED FUND AVERAGE

Included are funds whose primary objective is to conserve principal by maintaining at all times a balanced portfolio of both stocks and bonds. Typically, the stock/bond ratio ranges around 60%/40%.

### ➤LIPPER LARGE CAP GROWTH FUND AVERAGE

Includes those funds which normally invest at least 75% of assets in companies with market capitalizations greater than \$10 billion and whose long-term earnings are expected to grow significantly faster than the earnings of the stocks represented in the major unmanaged stock indices.

### ➤LIPPER INTERNATIONAL FUND INDEX

Includes the 30 largest funds which invest their assets in securities whose primary trading markets are outside of the United States.

**➤LIPPER MULTI-CAP CORE FUNDS AVERAGE**

Includes funds that, by portfolio practice, invest in a variety of market capitalization ranges without concentrating 75% of their equity assets in any one capitalization range over an extended period of time.

**➤LIPPER SHORT-INTERMEDIATE TERM U.S. GOVERNMENT AVERAGE**

Includes funds which invest at least 65% of assets in securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities with dollar weighted average maturities of three - five years.

**➤LIPPER U.S. TREASURY MONEY MARKET FUND AVERAGE**

This is the average of all U.S. Treasury Money Market Funds.

**➤MERRILL LYNCH 3-5 YEAR TREASURY INDEX**

This is an unmanaged index which includes U.S. Treasury securities with maturities of 3 to 4.99 years. This index is produced by Merrill Lynch, Pierce, Fenner & Smith, Inc.

**➤MORNINGSTAR BALANCED FUND OBJECTIVE AVERAGE**

Includes funds which are classified by Morningstar as having an investment objective of "Balanced." Balanced funds seek both income and capital appreciation by investing in a generally static combination of stocks and bonds. These funds generally hold a minimum of 25% of their assets in fixed income securities at all times.

**➤MORNINGSTAR CATEGORY AVERAGES**

Morningstar Categories provide a more specific grouping of mutual funds, by categorizing the fund by market capitalization and management style as measured by their portfolio holdings.

**➤MORNINGSTAR FOREIGN LARGE GROWTH FUNDS AVERAGE**

These funds seek capital appreciation by investing in large international stocks that are growth-oriented. Large-cap foreign stocks have market capitalizations greater than \$5 billion. Growth is defined based on high price-to-book and price-to-cash flow ratios relative to the MSCI EAFE Index.

**➤MORNINGSTAR LONG TERM CORPORATE BOND FUND AVERAGE**

Includes funds which are classified by Morningstar as having an investment objective of "Corporate High Quality" whose portfolios have an average maturity of 10 years or longer and a minimum performance history of one year. It includes funds with sales charges and funds who have no sales charge.

**➤MORNINGSTAR MODERATE ALLOCATION FUNDS AVERAGE**

These funds invest in both stocks and bonds and maintain a relatively higher position in stocks. They typically have 50%-70% of assets in equities and the remainder in fixed income and cash.

**➤MORNINGSTAR SHORT TERM GOVERNMENT TREASURY FUND AVERAGE**

Includes funds classified by Morningstar with an investment objective of "Government Treasury", and a minimum performance history of one year. It includes funds with sales charges and funds who have no sales charge and have an average weighted maturity of between 2 and 5 years. Target maturity funds, which are longer term in nature, but near to their maturity date, have been excluded.

#### ➤ **MORNINGSTAR SOCIALLY RESPONSIBLE GROWTH FUND AVERAGE**

This group represents funds listed by Morningstar, Inc. as Socially Responsible Growth Funds and a minimum performance history of one year. It includes funds with sales charges and funds who have no sales charge.

#### ➤ **MSCI EAFE INDEX**

The Morgan Stanley Capital International (Europe, Australia and the Far East) Index measures the performance of selected stock markets in Europe, Australia, New Zealand, the Far East and Emerging Markets, as well as, the performance of international industry groups. It does not include the U.S. or Canada.

#### ➤ **RUSSELL 2000 INDEX**

Composed of the 2000 smallest U.S. companies by market capitalization, representing approximately 7% of the Russell 3000 Index. This index is generally used to measure the performance of small cap stocks.

#### ➤ **RUSSELL 3000 INDEX**

Composed of the 3000 largest U.S. companies by market capitalization, representing approximately 98% of the U.S. equity market.

#### ➤ **S&P 400 MIDCAP INDEX**

Includes approximately 10% of the capitalization of US equity securities. These are comprised of stocks in the middle capitalization range. At the original time of screening this was a \$200 million to \$5 billion market value range. Any midcap stocks already included in the S&P 500 are excluded from this index.

#### ➤ **S&P 500 INDEX**

"The purpose of the S & P 500 Stock Price is to portray the pattern of common stock movement. Construction of the Index proceeds from industry groups to the whole. Component stocks are chosen solely with the aim of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the New York Stock Exchange common stock population.

Currently the S&P covers 500 stocks, broken down into 83 individual groups, which comprise the five main groups, i.e., Industrials, Transportation, Utilities, Financial and 500 Composite. There are also four supplementary group series: namely, Capital, Goods Companies, Consumer Goods, High Grade Common Stocks and Low-Priced Common Stocks. (The Standard & Poor's 500) based on the aggregate market value of the common stocks of all (500) companies" (Quoted from Standard & Poor's description entitled "Standard & Poor's Stock Price Indices").

#### ➤ **S&P 500 BARRA GROWTH INDEX**

#### ➤ **S&P 500 BARRA VALUE INDEX**

Standard & Poor's ranks all of the companies in the S & P 500 by market price to book. It then selects the companies with the highest price to book ratios comprising approximately the top 500 of composite market price and places them in their Growth Component. The remaining companies fall into the Value Component. There are approximately 150 funds in the Growth Component and 350 funds in the Value component.

# Spectrum of Investment Options

Risk/Return		Conservative	Moderate		Aggressive	
Asset Class		Fixed Income/ Cash	Bonds	Large Cap Stocks	Mid/Small Cap Stocks <sup>1</sup>	International Stocks <sup>2</sup>
Tier 1	Passive Funds <i>(Manager attempts to correlate to or match an index)</i>		US Debt Index Fund [Lehman Brothers Aggregate Bond Index] <sup>1</sup>	Vanguard Institutional Index Plus Fund [S&P 500 Index] <sup>1</sup>	Small Cap Equity Index Fund <sup>1</sup>  Mid Cap Equity Index Fund <sup>1</sup>  DFA US Micro Cap Portfolio	EAFE Equity Index Fund <sup>1</sup>
Tier 2	Active Funds <i>(Manager tries to outperform an index)</i>	FDIC Bank Option  Stable Value Fund  Vanguard Admiral Treasury Money Market Fund	Federated US Government Securities Fund 2-5 Years (Instl)  Vanguard Long-term Corporate Fund (Admiral Shares)	Vanguard Wellington Fund (Admiral Shares)  Janus Fund  Fidelity Contrafund  Calvert Social Investment Fund Equity Portfolio (Class I) <sup>2</sup>	T. Rowe Price Mid Cap Growth Fund	T. Rowe Price International Stock Fund
Tier 3	Self-directed brokerage	**For the Advanced Investor** Charles Schwab Personal Choice Retirement Account				

The above options are illustrated as conservative to aggressive investments. The funds on the far left are the least volatile and have less risk to loss of principal investment. The FDIC option and the Stable Value Fund have been designed specifically for the WDC. Information about these options can be obtained through the Plan Administrator. The Vanguard Admiral Fund is a money market fund. Although this fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in this option.

As you move to the right across the spectrum the investment options become more aggressive, with greater risk of loss in exchange for potentially higher returns. International investing has additional inherent risks relating to currency fluctuations, economic and political factors, etc. Mutual funds and commingled options are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. These options are subject to market risk and may experience a loss to the principal investment. Refer to the mutual fund prospectus for complete information about each fund, such as the investment objective and expenses. Prospectuses may be obtained through the Plan Administrator.

Excessive trading or market timing in your WDC account disrupts management of investment options, increases expenses and negatively effects performance to the detriment of other investors. Many investment providers to the WDC have adopted underlying restrictions and limitations with respect to transfers into and withdrawals from their investment options. All participant and beneficiary accounts are subject to such restrictions or limitations. In the event that an investment provider identifies a participant or beneficiary account in violation, the Department shall direct the Plan Administrator to take the appropriate action to cause this practice to cease.

<sup>1</sup>These four options are indexed, commingled funds managed by Barclays Global Investors. They are NOT mutual funds. You will find performance and other information regarding these options on the WDC Web site at [www.wdc457.org](http://www.wdc457.org), the voice response telephone system at 800/758-4457, or by calling the Plan Administrator's office. Because these are not mutual funds, you will not find information about these options in the newspaper or any other investor resource material.

<sup>2</sup>This option is offered to provide a socially responsible investment alternative. The Board reviews this fund's performance compared to its peer group of socially responsible funds. Performance may fall short of conventional growth/large cap stock fund benchmarks.



# Wisconsin Deferred Compensation Program Investment Spectrum



The Wisconsin Deferred Compensation Program (WDC) investment spectrum is divided into three tiers. The first tier includes index funds only. The second tier adds actively managed funds to the investment choices. A self-directed brokerage account is the third tier and it provides over 2,500 additional mutual fund options.

The investment spectrum has been designed to offer a broad range of investments to meet the needs of the novice to most experienced investors. The WDC's asset allocation service can help you design and maintain a diversified investment portfolio for your retirement savings. See the "Investment Options" brochure for more information on developing your portfolio and the WDC's asset allocation service.

*The following is a brief explanation of the three tiers of investment options offered by the WDC.*

## **TIER 1:**

### **Six Index Funds**

An easy way to invest!

Index funds are passively managed investments that are designed to match the performance of a particular market index. This tier allows you to design your portfolio based on asset classes, instead of specific funds. By selecting an index option, your investments will correlate to a particular segment of the market. For example, if you invest in the S&P 500 index fund, the performance of your investment will correlate to the large capitalized stock market sector.

The Board selected the tier one options because of their low cost and excellent correlation to the corresponding index. This tier includes two mutual funds and four commingled options. The Board chose to offer commingled funds, in addition to mutual funds, because of their considerably lower cost and excellent correlation to the associated index. A commingled fund pools assets from several institutional type investors seeking the same investment objective. Information on commingled options, including performance and share price, can only be obtained from the WDC. It can be found on the WDC's Web site, automated voice response telephone system and by calling the WDC participant service representatives. Although you won't be able to find specific information about these funds from other investor resources, performance of the corresponding index can be tracked in the financial news from newspapers, magazines and television. Remember that the corresponding index does not reflect fees or charges of the fund or your employer's plan, and that individuals can't invest directly in an index.

## **TIER 2:**

### **Eleven Actively Managed Fund Choices**

More effort for potentially enhanced returns.

This tier is comprised of eleven actively managed options ranging from conservative to aggressive investments. Each option is managed according to a set investment objective, detailed in the fund prospectus and other material. The goal of actively managed funds is to outperform an index or benchmark, instead of trying to match it.

Options range from conservative to aggressive investing. Conservative options include an FDIC bank option, stable value fund and a money market fund. Eight actively managed bond and stock mutual funds provide moderate to aggressive investment choices. The Board monitors the performance of these funds and may replace them if they fail to meet established performance standards.

## **TIER 3:**

### **Self-Directed Brokerage Option (SDO)**

Choices are yours... invest at your own risk!

An additional 2,500 plus mutual fund options are available for your WDC investments. The Board does not monitor or review these options to determine if they are appropriate for long-term retirement savings. You need to be aware of the additional risk that may be present in some of the options offered through the SDO.

## MUTUAL FUND QUARTILE PERFORMANCE RANKING OF THREE YEAR TOTAL RETURNS

The variable investment options under the State of Wisconsin Deferred Compensation Plan are presented on the attached report in such a manner as to illustrate the options whose three year average total returns were in the third or fourth (bottom) quartile of the identified Morningstar Category or peer group. This chart was compiled using three year average total return data and Category percentile performances from the *Morningstar Principia* database. Funds are listed by asset class and in Spectrum of Investment Options order.

When a fund's three year average total return for any specific quarter-ending calendar period falls within the third quartile (51%-75%) of its Morningstar Category, the fund receives a **yellow** ranking on the chart. When a fund's three year average total return for the period falls within the fourth quartile (76%-100%), the fund receives a **red** ranking. Funds that receive either a **yellow** or **red** ranking also receive a ▲ indicating the fund finished the one-year period in the top half of the Category or a ▼ indicating the fund finished in the bottom half of the Category for the one-year period.

Since the chart's purpose is to direct attention to the funds that finish in the bottom half of their peer groups, funds that fall within the top two quartiles for the three year period when compared to their peer groups are not given a ranking by this chart.

If an approved investment option does not meet the following suggested evaluation criteria upon any review, the Board may initiate a "phase out" process by taking action to:

1. Place the fund on a **"Watch List"** when a fund receives a **red** rating for three consecutive quarters, or when it receives a **red** or **yellow** rating for three consecutive quarters; *and* when the one year quartile ranking within the appropriate Morningstar Category is in the bottom half of the Category, indicated by a ▼.
2. "Eliminate" the fund when the fund receives a **red** or **yellow** rating for six consecutive quarters or **red** and **yellow** ratings for six of the last eight quarters, and when the current one year quartile ranking falls within the bottom half of its peer group indicated by a ▼.

Data for this chart is available for the first quarter of 2002 through the fourth quarter of 2003, using Morningstar.

**STATE OF WISCONSIN DEFERRED COMPENSATION PLAN  
MUTUAL FUND**

**QUARTILE PERFORMANCE RANKING  
OF THREE YEAR TOTAL RETURNS FOR PERIODS ENDING:**

Mutual Fund	1st Qtr 2002	2nd Qtr 2002	3rd Qtr 2002	4th Qtr 2002	1st Qtr 2003	2nd Qtr 2003	3rd Qtr 2003	4th Qtr 2003
T. Rowe Price International Stock Fund								*
DFA U.S. Micro Cap Portfolio								
T. Rowe Price Mid Cap Growth Fund								
Janus Fund								▲
The Dreyfus Premier Third Century Fund (Class R) ***								▼
Calvert Social Investment Fund - Equity Portfolio (Class I)								
Fidelity Contrafund								
Vanguard Institutional Index Fund (Instl Plus Shares)								
Vanguard Wellington Fund (Admiral Shares)						**		
Vanguard Long Term Corporate Fund (Admiral Shares)								
Federated US Govt Securities Fund: 2-5 Yr Instl								

**Yellow** = 3RD QUARTILE (51%-75%) OF PEER GROUP (3 Yr)

**RED** = BOTTOM QUARTILE (76%-100%) OF PEER GROUP (3 Yr)

▲ = TOP HALF OF PEER GROUP (1 Yr)

▼ = BOTTOM HALF OF PEER GROUP (1 Yr)

Source of data: Morningstar Principia

\* Morningstar changed category from Foreign to Foreign Large Growth

\*\* Morningstar changed category from Domestic Hybrid to Moderate Allocation

\*\*\* Closed to participants

# **INVESTMENT PERFORMANCE ANALYSIS**

## **1. BAR CHART DESCRIPTIONS AND DEFINITIONS**

The following bar charts report annualized returns for each investment option compared with the approved peer group universe and the appropriate benchmark index for the one, three, five, and ten-year periods. The 3-year Morningstar Rating is also shown for each fund that is in the Morningstar Database. Commonly called the star rating, this is a measure of a fund's risk-adjusted return, relative to funds in its category. Funds are rated from one to five stars, with the best performers receiving five stars. The three-year Morningstar Category ranking is the fund's total-return percentile rank relative to all funds that have the same category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. Returns are reported from the Morningstar Principia Pro and Lipper databases or were obtained directly from the fund.

## **2. ZEPHYR CHART DESCRIPTIONS AND DEFINITIONS**

Following each bar chart are corresponding charts generated by Zephyr StyleAdvisor that analyze each investment option's performance characteristics. Below is a description of the information illustrated on these charts and how each one can be interpreted.

### **Manager vs Universe: Annualized Return**

This chart is used to analyze returns of the investment option compared to a peer group universe. It is designed to illustrate the returns using 36-month rolling periods ending in December of each year listed. For example, the bar labeled "Dec 1999" is for the period between January 1, 1997 and December 31, 1999. The bars are created using the returns for all funds in the appropriate peer group and are broken down into quartiles. Both the fund being analyzed and the benchmark that it is compared to are plotted on each bar.

A table below the bar chart lists the returns. The returns for the fund, benchmark, each quartile, and the 5th and 95th percentiles are all listed for each time period. Funds pass the comparison when performance falls within the top half of the peer group universe.

### **Manager Risk/Return**

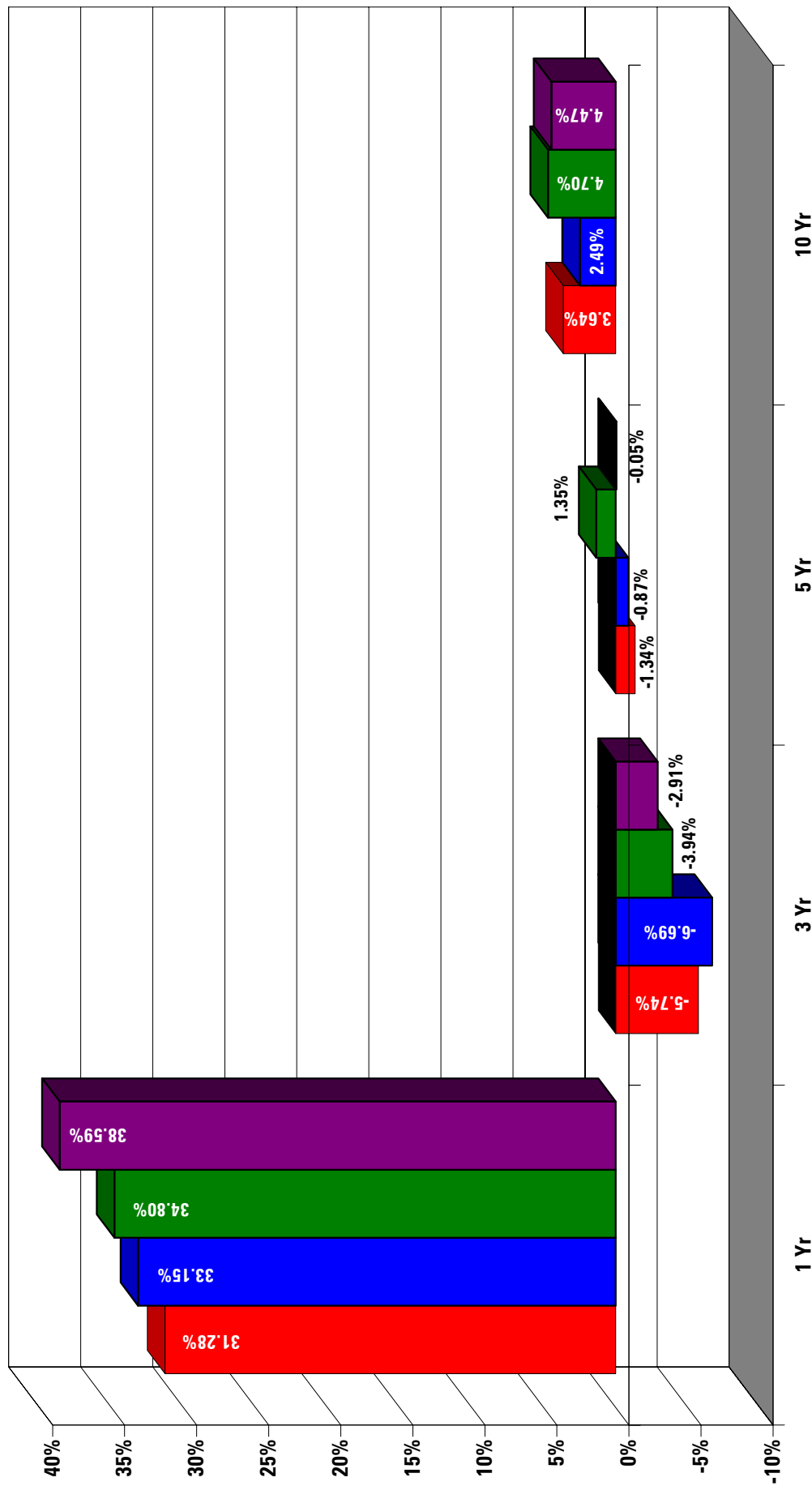
This graph displays the risk/return characteristics of a fund and compares them to a benchmark. It plots returns on the vertical axis and standard deviation on the horizontal axis. The crosshairs represents the peer group universe median. The ideal position for a manager is in the upper left quadrant, illustrating a higher return and lower risk than the universe median. This chart uses a single computation for the manager and benchmark covering the 5-year period from January 1999 to December 2003.

### **Manager Style**

This graph creates a "map" using the style basis as coordinates. The graph is constructed (for equity funds) using the Russell 1000 Growth Index (Large Cap Growth) in the top right corner with the Russell 1000 Value Index (Large Cap Value) in the top left corner. In the bottom right corner is the Russell 2000 Growth Index (Small Cap Growth) and in the bottom left corner is the Russell 2000 Value Index (Small Cap Value). The Zephyr StyleADVISOR analyzes the individual returns of the manager and the benchmark and uses those returns to plot their positions on the graph. This chart uses 36-month rolling periods and plots every period available. The largest dot on the graph illustrates the most recent 36 month period.

# T. Rowe Price International Stock Fund

December 31, 2003

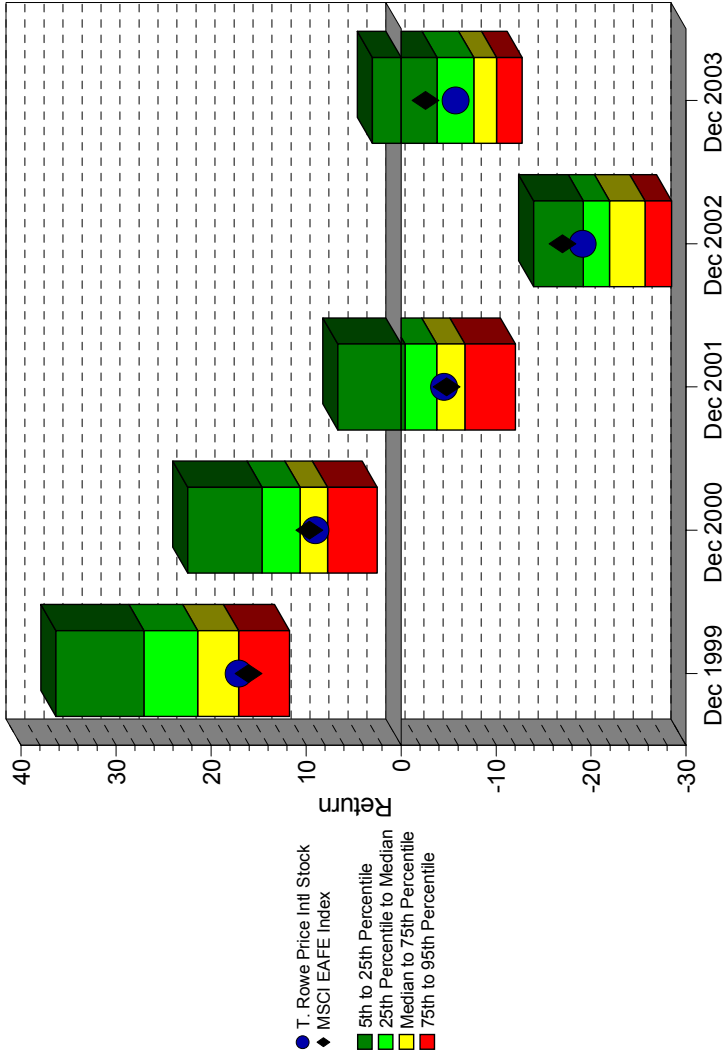


Fund Name	Morningstar Category	Equity Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
T. Rowe Price International Stock Fund	Foreign Stock / Large Growth	Large Cap/Growth	31.28%	-5.74%	-1.34%	3.64%	3	35
Category Average Tot Ret: Foreign Stock / Large Growth Funds	Foreign Stock / Large Growth	-	33.15%	-6.69%	-0.87%	2.49%	-	-
Category Average Tot Ret: Lipper International Funds	-	-	34.80%	-3.94%	1.35%	4.70%	-	-
Benchmark Index: MSCI EAFE Index	-	-	38.59%	-2.91%	-0.05%	4.47%	-	-

# T. Rowe Price International Stock Fund

## Manager vs Universe: Return

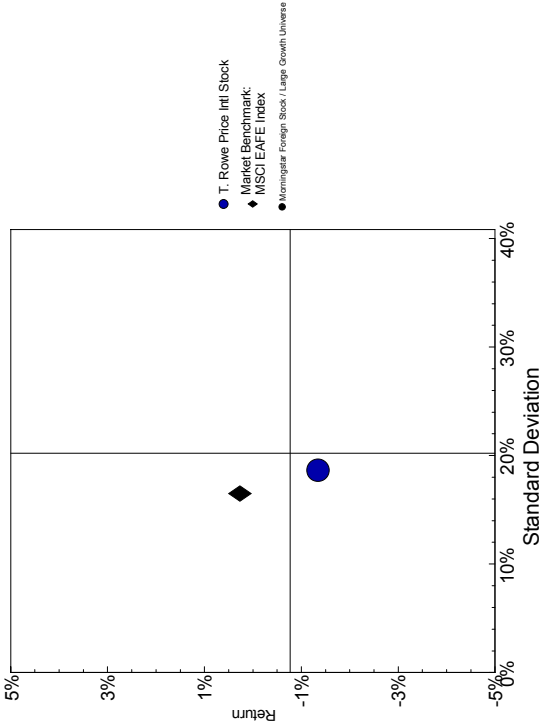
Morningstar Foreign Stock / Large Growth Universe



## Manager Risk/Return

Single Computation

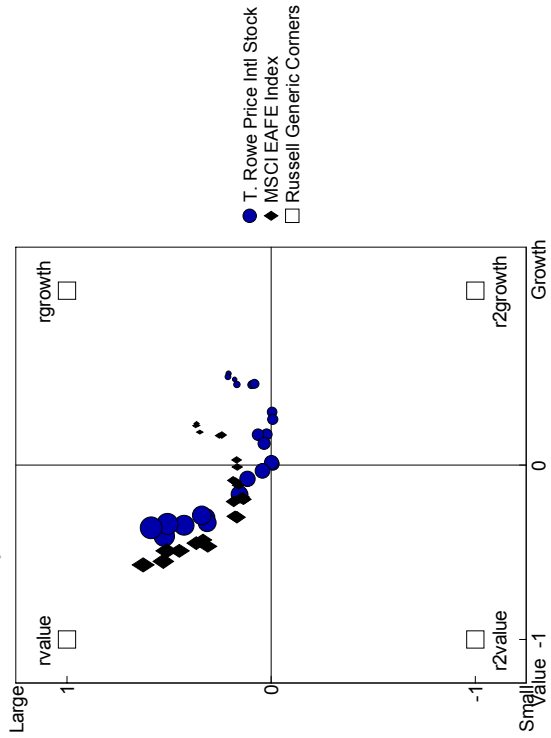
January 1999 - December 2003



## Manager Style

36-Month Moving Windows, Computed Monthly

January 1999 - December 2003



	Dec 1999	Dec 2000	Dec 2001	Dec 2002	Dec 2003
5th Percentile	36.32%	22.46%	6.64%	-13.96%	3.01%
25th Percentile	27.06%	14.64%	-0.40%	-19.19%	-3.80%
Median	21.41%	10.64%	-3.76%	-21.93%	-7.64%
75th Percentile	17.11%	7.75%	-6.71%	-25.66%	-10.04%
95th Percentile	11.75%	2.51%	-12.05%	-28.48%	-12.73%
T. Rowe Price Intl Stock	17.09%	9.03%	-4.53%	-19.13%	-5.74%
MSCI EAFE Index	16.06%	9.65%	-4.79%	-16.99%	-2.57%

Morningstar Foreign Stock / Large Growth Universe

Manager returns supplied by: Morningstar, Inc.

**T. Rowe Price Intl Stk**

12-31-2003

**Rating**

★★★

**Manager Name**

Ford/Warren/Seddon/Bickf

**Morningstar Category**

Foreign Large Growth

**Risk and Return Profile**

	Rel to Inv Category	—
Risk	—	Average
Return	—	Average
Rating	—	★★★

**Prospectus Summary**

T. Rowe Price International Stock Fund seeks long-term growth of capital.

The fund normally invests at least 80% of assets in stocks of established non-U.S. issuers. It may invest the balance of assets in preferred stocks, warrants, convertibles, and debt securities. The fund typically maintains investments in at least three foreign countries, and it may invest in both industrialized and developing countries.

**Analysis** by Langdon Healy 08-20-03

T. Rowe Price International Stock won't dazzle, but it's an acceptable core foreign holding.

This fund's historical performance screams average. Annual returns since the fund's 1982 inception have rarely deviated from the foreign stock category's middle third. For the year to date through Aug. 22, 2003, the fund's 12% return is a bit disappointing as it falls close to the bottom third (65th percentile). Moreover, consistent middling annual returns haven't added up to a superior long-term record, and it has been just about as volatile as its average peer, too.

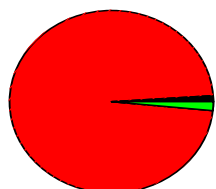
The managers search for industry leaders trading at reasonable prices, and a very large asset base keeps the fund grounded in large multinational firms domiciled in developed Europe and Japan. Indeed, 84% of assets were recently devoted to giant- and large-cap stocks. Because these issues are well researched, it's very difficult for the managers to get a leg up on their peers. Moreover, the large asset base pushes the managers to spread assets widely across 166 names, so their big winners don't generate big gains.

Though the managers have recently devoted more assets to telecom and health care than does their average rival, these bets aren't big. Moreover, their investment process incorporates macroeconomic country analysis, but they're not likely to make huge country bets, either. Recently, for example, they've been adding to the fund's Japan stake, with greater attention to domestically oriented companies. They believe that valuations in Japan relative to other countries are attractive, and they're modestly encouraged by macroeconomic developments there. As a result, the fund devoted 15% of assets to Japan as of June 30, only 2 percentage points below the category average.

The managers' maintenance of a very diversified large-cap portfolio has generated middling returns, but the diversification and the fund's relatively low expenses make it suitable as a core foreign stock offering.

**Manager Profile**

James B.M. Seddon. Since 01-87. BA '86 Oxford U.  
 Mark Bickford-Smith. Since 01-95. MA Cambridge U.  
 Frances Dydasco. Since 01-02. BA '88 Harvard U. MA '79 Oxford U.

**Investment Approach** 09-30-03**Composition** % of assets 09-30-03

- Cash
- U.S. Stocks
- /// Non-U.S. Stoc
- Bonds
- Other

**Investment Style**

1.3	Equity	Fixed-Income
0.1	Style	Maturity
96.6	Value Blend Growth	Short Int Long
0.0		
2.0		
	Large Size	High Quality
	Medium	Medium
	Small	Low
	Size:	Quality:
	Growth	—
	Style:	Maturity:
	Large	—

**Sector Weightings** % of stocks 09-30-03

Information Economy	19.8
Software	0.7
Hardware	4.1
Media	4.2
Telecommunication	10.8
Service Economy	48.9
Healthcare	10.9
Consumer Services	8.0
Business Services	6.8
Financial Services	23.3
Manufact. Economy	31.4
Consumer Goods	16.3
Industrial Materials	5.9
Energy	7.4
Utilities	1.8

**Top 10 Securities** 09-30-03

% Net	Total Stocks:	0
Assets	Total Bonds:	0
3.78	Glaxosmithkline	
2.97	Total	
2.94	Vodafone Grp	
2.52	Royal Bk Scot Grp	
2.37	Nestle Sa	
1.71	BNP Paribas	
1.52	Shell Trnspt&Trdg	
1.46	Compass Grp	
1.39	Adecco (Reg)	
1.38	UBS AG	

Country	Sector
GBR	—
FRA	—
GBR	—
GBR	—
CHE	—
FRA	—
GBR	—
GBR	—
CHE	—
CHE	—

**International Investments** 09-30-03

Regional Exposure	% of stocks
Americas	2.5
Greater Europe	69.2
Greater Asia	28.3

**Top Five Countries**

(out of 0 countries) % of stocks	
United Kingdom	25.7
Japan	20.1
France	15.0
Switzerland	6.0
Netherlands	5.1

22 % Net Assets in Top 10 Securities

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**T. Rowe Price Intl Stk**

12-31-2003

**EQ Style**

Large/Growth

**FI Style**

-

**Morningstar Category**

Foreign Large Growth

**Short-Term Volatility**

3 Mo Rolling Return

Best Rtn 24.70 % 10/1999-12/1999

Worst Rtn -21.64 % 07/2002-09/2002

Out of 132 periods

Num of times Below T-bill 58

Num of times Below Zero 48

**Longer-Term Volatility**

3 Yr Rolling Return (Annualized)

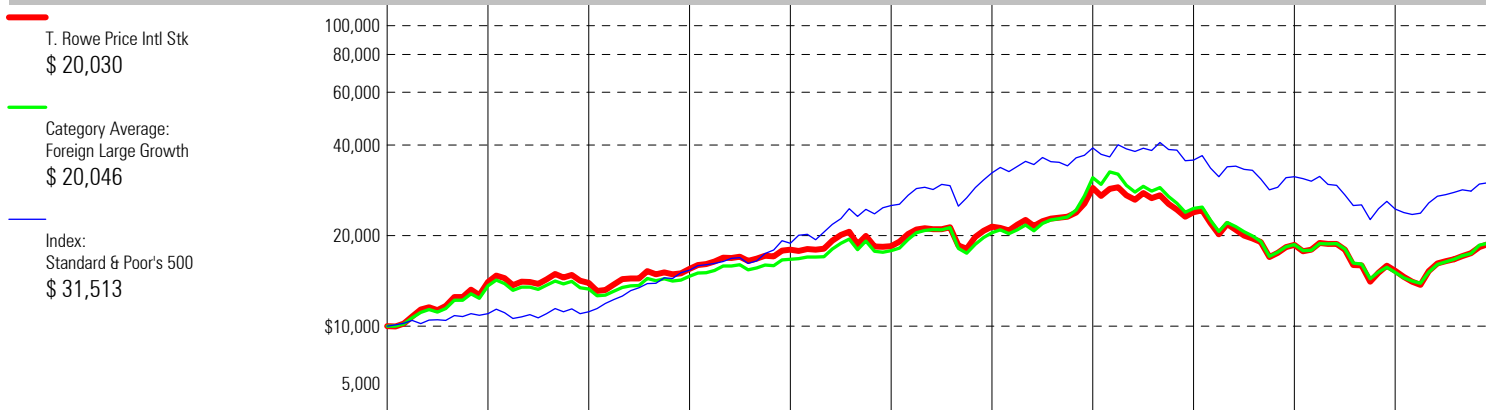
Best Rtn 17.28 % 04/1997-03/2000

Worst Rtn -22.08 % 04/2000-03/2003

Out of 132 periods

Num of times Below T-bill 41

Num of times Below Zero

**Growth of \$10,000****Calendar-Year Performance**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	12-03
Quartile Performance w/i Inv Cate	■	■	■	■	■	■	■	■	■	■	■
Total Return %	40.11	-0.76	11.39	15.99	2.70	16.14	34.60	-17.09	-22.02	-18.18	31.28
+/- Standard & Poor's 500	30.05	-2.07	-26.14	-6.96	-30.65	-12.44	13.56	-7.99	-10.14	3.91	2.61
Income \$	0.09	0.12	0.18	0.18	0.20	0.22	0.13	0.09	0.30	0.11	0.13
Capital Gains \$	0.20	0.62	0.20	0.20	0.55	0.35	0.91	1.18	0.03	0.00	0.03
Expense Ratio %	1.01	0.96	0.91	0.88	0.85	0.85	0.85	0.84	0.90	0.92	—
Net Assets (\$mil)	4290.0	5786.9	6703.3	9340.8	9720.6	10141.8	12674.0	9734.6	6507.4	4433.5	4582.3
NAV	12.16	11.32	12.23	13.80	13.42	14.99	19.03	14.52	10.99	8.88	11.49

**Trailing-Time-Period Performance**

12-31-2003

	Inception 05-01-80	YTD	3 Mo	12 Mo	3 Yr Annualized	5 Yr Annualized	10 Yr Annualized	15 Yr Annualized
Quartile Performance w/i Inv Cate	—	■	■	■	■	■	■	■
Total Return %	10.70	31.28	14.74	31.28	-5.74	-1.34	3.64	6.37
+/- Standard & Poor's 500	—	2.61	2.57	2.61	-1.69	-0.77	-7.42	-5.84
Load-Adjusted Return %	10.70	31.28	14.74	31.28	-5.74	-1.34	3.64	6.37
Load- and Tax-Adjusted Return %	—	—	—	—	—	—	—	—

**Fees and Costs**

12b-1 Fee:	0.00 %	Expense Projection:	3 Yr: \$ 293	Front-End Load:	0.00 %	Yield 12 Month:	1.13 %
Expense Ratio:	0.92 %		5 Yr: \$ 509	Deferred Load:	0.00 %	SEC	— %

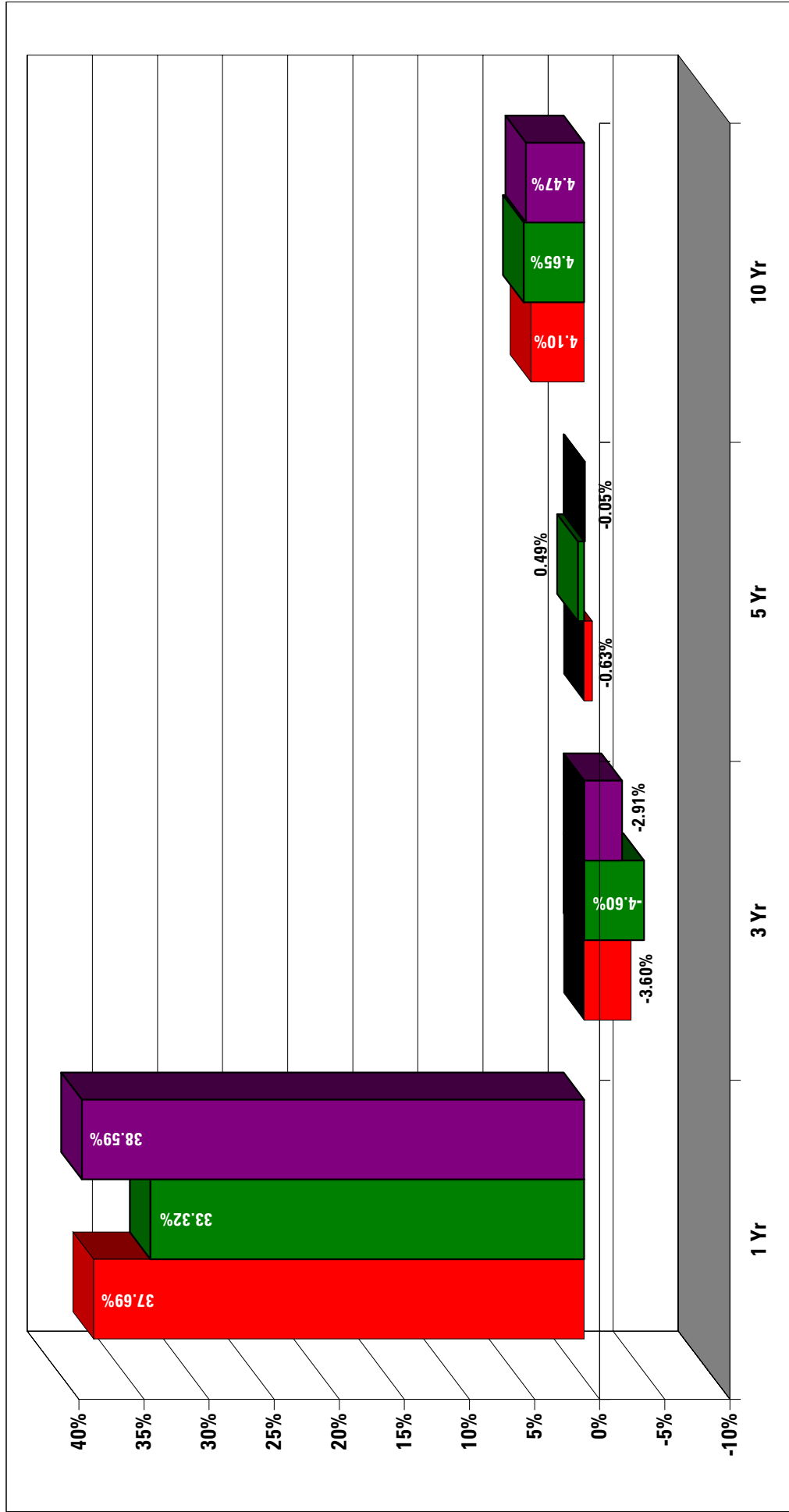
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# EAFE Equity Index Fund

December 31, 2003

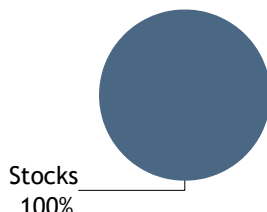


Fund Name	Morningstar Category	Equity Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
EAFE Equity Index Fund	Foreign Stock / Large Blend	-	37.69%	-3.60%	-0.63%	4.10%	-	-
Category Average Tot Ret: Foreign Stock / Large Blend Funds	Foreign Stock / Large Blend	-	33.32%	-4.60%	0.49%	4.65%	-	-
Benchmark Index: MSCI EAFE Index	-	-	38.59%	-2.91%	-0.05%	4.47%	-	-

## EAFE® Equity Index Fund

### What the fund invests in:

This is an index fund that seeks to match the performance of the MSCI EAFE® Index by investing in stocks that make up the index. The Morgan Stanley Capital International (MSCI) EAFE® (Europe Australasia Far East) Index is comprised of approximately 1,000 foreign stocks representing established companies in developed countries across Western Europe and the Pacific Rim.



### Performance Returns (%)

	FUND	BENCHMARK¹
Fourth Quarter	16.68	17.08
Year to Date	37.69	38.59
One Year	37.69	38.59
Three Year*	-3.60	-2.91
Five Year*	-0.63	-0.09
Ten Year*	4.10	4.44

\*Average annualized return

¹Source - MSCI EAFE Index

### Why invest in international stocks?

Investing in foreign markets may offer additional diversification benefits to an investment portfolio. Diversification increases the chances that one investment's strong performance will offset another investment's poor performance.

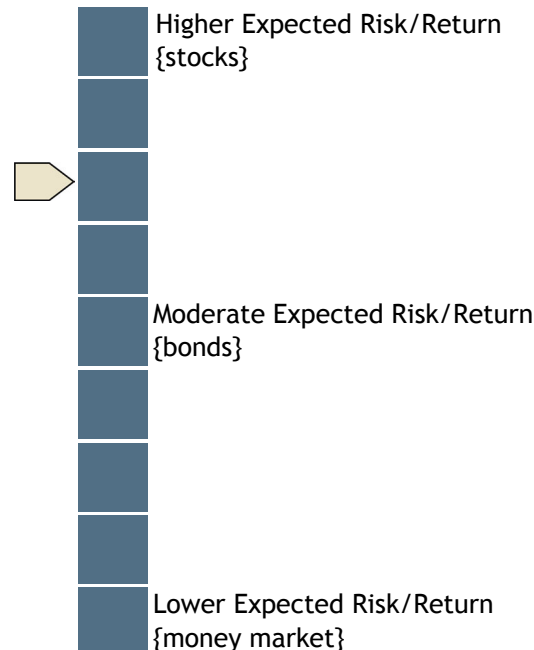
### Who should consider investing in this fund?

This fund is intended for long-term investors seeking to capture the earnings and growth potential of established companies in developed countries throughout Western Europe and the Pacific Rim.

### Top 10 Holdings (%)

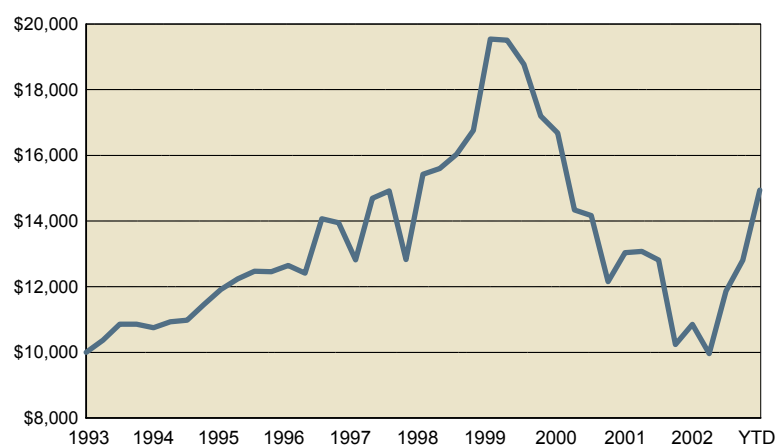
BP	2.43
HSBC Holdings	2.31
Vodafone Group	2.29
GlaxoSmithKline	1.85
Total	1.62
Royal Dutch Petroleum	1.49
Novartis	1.46
Nestle	1.37
Toyota Motor Corp	1.24
Nokia Corp	1.12

### Risk/Return Potential



*This chart is for illustrative purposes only and does not predict future risk or performance.*

## Growth of \$10,000



This graph represents the growth of a hypothetical investment of \$10,000. It assumes reinvestment of all income, and does not take into consideration any management fees. Past performance is no guarantee of future results.

## Performance Notes

All values are unaudited and subject to revision. All income is reinvested in the fund. The fund's inception is 2/1/01. Fund returns are reported net of management fees and certain transaction costs and expenses charged to the fund. Returns prior to inception are those of a fund with similar investment strategy. The MSCI EAFE® Index returns do not reflect any management fees, transaction costs or expenses. The index is published by Morgan Stanley Capital International and is a market-value weighted index of approximately 1,000 stocks from Europe, Australia, New Zealand, and the Far East. Returns are calculated in US dollars. Past performance does not guarantee future results. Any returns shown as less than one year are cumulative returns.

## Trademarks

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## Additional Information

Yield	2.4%
P/E	24.0
P/B	2.0

## Country Weightings (%)

Great Britain	25.83
Japan	21.36
France	9.86
Switzerland	7.38
Germany	7.19
Netherlands	5.16
Australia	5.06
Italy	3.87
Spain	3.68
Sweden	2.27

## Fees and Expenses

Total management fees and other expenses charged to the fund were approximately 0.10% of the fund's estimated average assets.

## Fund Manager

Barclays Global Investors, N.A. is the Fund's manager and trustee. Barclays Global Investors is headquartered in San Francisco, CA, and is owned by Barclays Bank PLC, one of the UK's largest companies. Barclays Global Investors employs more than 2,000 people around the world, and manages assets for many of the world's leading institutional investors. Barclays Global Investors uses a team approach in managing investment portfolios. For more information about BGI, please go to [www.barclaysglobal.com](http://www.barclaysglobal.com).

## Disclaimers

The fund is NOT FDIC insured, is NOT an obligation or deposit of, or guaranteed by, Barclays Global Investors or its affiliates and involves investment risk, including possible loss of principal.

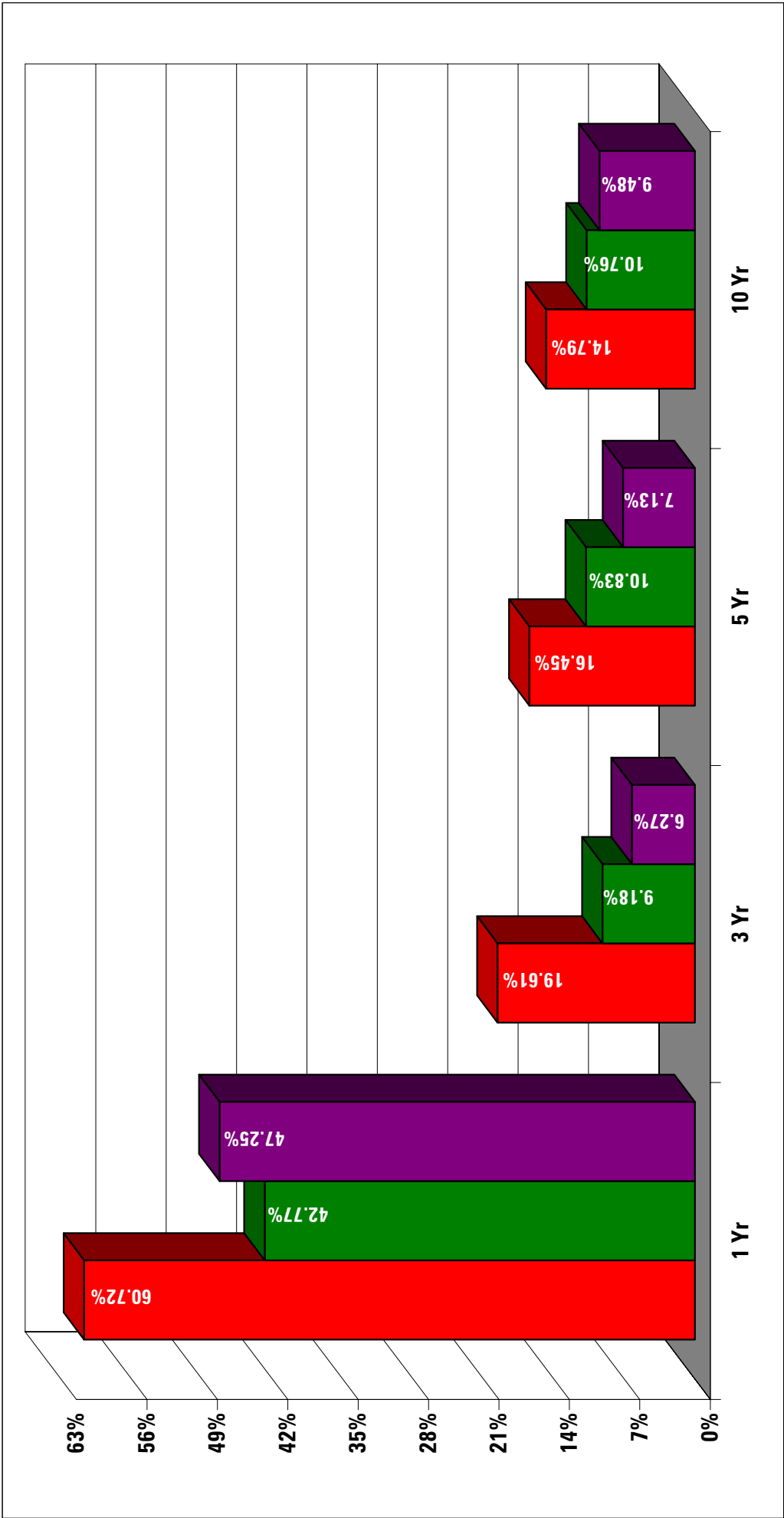
The fund is a collective investment fund and is privately offered. Prospectuses are not required and prices are not available in local publications. To obtain pricing information, please contact your service representative.

[www.barclaysglobal.com](http://www.barclaysglobal.com)



DFA U.S. Micro Cap Portfolio

December 31, 2003

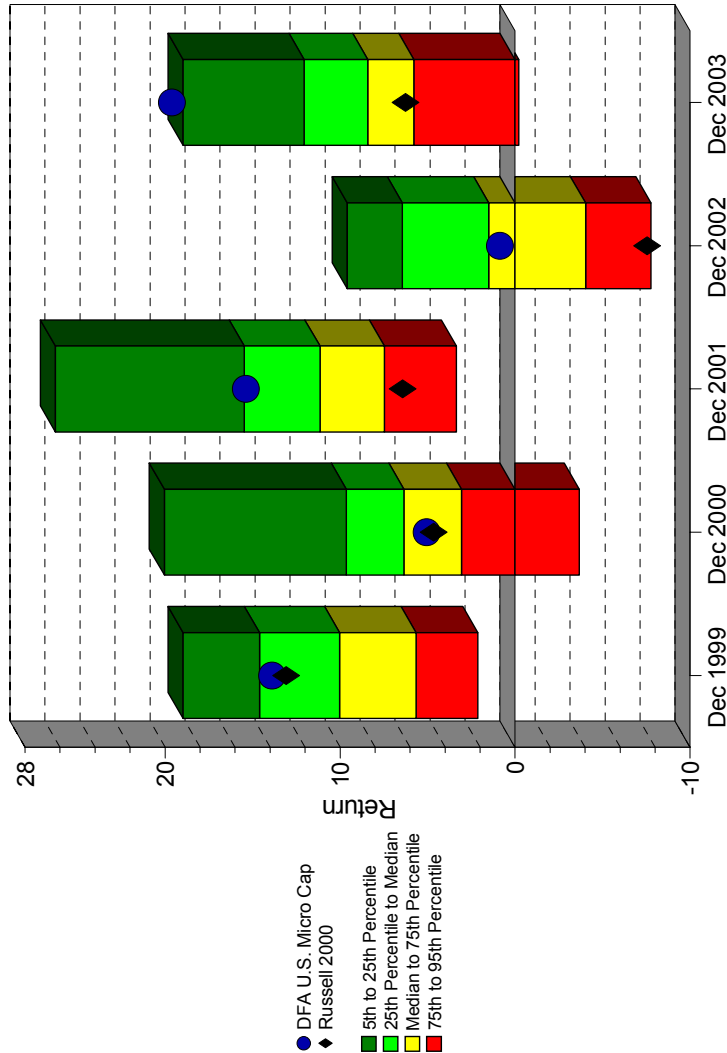


Fund Name	Morningstar Category	Equity Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
DFA U.S. Micro Cap Portfolio	Small Cap Blend	Small Cap/Blend	60.72%	19.61%	16.45%	14.79%	5	5
Category Average Tot Ret: Small Cap Blend Funds	Small Cap Blend	-	42.77%	9.18%	10.83%	10.76%	-	-
Benchmark Index: Russell 2000 Index	Small Cap Blend	-	47.25%	6.27%	7.13%	9.48%	-	-

# DFA U.S. Micro Cap Portfolio

## Manager vs Universe: Return

Morningstar Small Cap Growth Universe



	Dec 1999	Dec 2000	Dec 2001	Dec 2002	Dec 2003
5th Percentile	18.96%	20.03%	26.25%	9.58%	18.97%
25th Percentile	14.60%	9.63%	15.47%	6.44%	12.06%
Median	10.03%	6.36%	11.15%	1.51%	8.42%
75th Percentile	5.65%	3.06%	7.47%	-4.02%	5.78%
95th Percentile	2.13%	-3.68%	3.35%	-7.76%	-0.22%
Dimensional U.S. Micro Cap	13.88%	5.06%	15.38%	0.87%	19.61%
Russell 2000	13.08%	4.65%	6.42%	-7.55%	6.27%

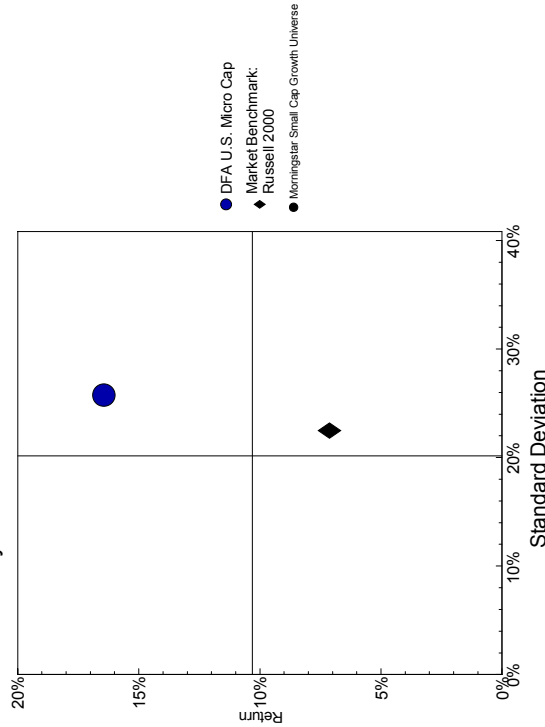
Morningstar Small Cap Growth Universe

Manager returns supplied by: Morningstar, Inc.

## Manager Risk/Return

Single Computation

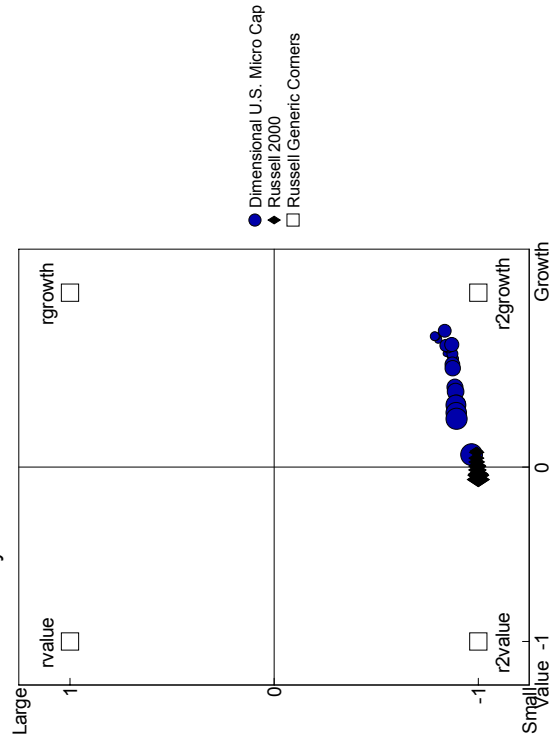
January 1999 - December 2003



## Manager Style

36-Month Moving Windows, Computed Monthly

January 1999 - December 2003



**Dimensional US Micro Cp**

12-31-2003

**Rating**

★★★★

**Manager Name**

Management Team

**Morningstar Category**

Small Blend

**Risk and Return Profile**

	Rel to Inv Category	Rel to Stock Funds
Risk	—	High
Return	—	High
Rating	—	★★★★

**Prospectus Summary**

Dimensional U.S. Micro Cap Fund seeks long-term capital appreciation.

The fund invests in a diverse group of small companies with readily marketable securities. These companies may be traded on the NYSE, the AMEX, or the over-the-counter market, but their market capitalizations must be comparable with those in the smallest quintile of the NYSE. The portfolio is re-balanced at least semiannually.

**Analysis** by Paul Herbert 09-02-03

This giant fund navigates its tiny space well, but that space isn't as safe as recent returns indicate.

Dimensional U.S. Micro Cap Fund throws its weight around, but does so carefully. With more than \$2 billion in assets as of June 30, 2003, this fund is one of the largest small-blend funds out there, and certainly the biggest of the funds that focus on the micro-cap space. The fund gets away with swimming in these waters—which its advisor defines as the smallest 4% of U.S. exchange-listed companies—for a few reasons. For one, its managers limit the fund's stakes in individual names—as of July 31, the largest position of its more than 2,800 stocks, managed-care provider Sierra Health Services SIE, took up only about 0.30% of assets. They also keep turnover low, and use the fund's size to obtain large blocks of shares at below-market prices.

Thanks to its advantages, including a very low expense ratio, the fund has delivered. Its returns over the past 10 and 15 years rank in the category's top 20%, and far outpace funds and indices that focus on micro-caps. The fund's 15.3% five-year gain pales in comparison to Bridgeway Ultra-Small Company Market's BRSIX, a micro-cap index fund, and Royce Micro Cap's RYOTX, but ranks competitively versus a broader group of micro-cap funds.

It may not be apparent these days, but there are considerable risks to the fund's strategy. Micro-cap stocks have been market darlings during the past three-to-five years, while large-cap offerings have bled money. These results obscure that these tiny issues trade thinly, and that their businesses often rely on one or a few immature products to work out. These risks were more apparent in a year like 1998 when the fund lost more than 7%. That was a particularly poor showing, but the fund has been more volatile than most small-blend funds.

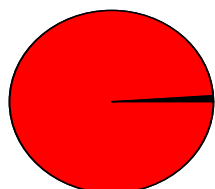
Gaining access to the fund isn't easy, as its \$2-million minimum is too high for most of us. Still, it's a fine choice for those who can own it, perhaps through a 401(k) plan.

**Manager Profile**

Management Team

**Investment Approach** 10-31-03**Composition**

% of assets 10-31-03



- Cash
- U.S. Stocks
- ▨ Non-U.S. Stoc
- Bonds
- Other

**Investment Style**

1.4	Equity	Fixed-Income
98.6	Style	Maturity
0.0	Value	Short
0.0	Blend	Int
0.0	Growth	Long
	Large Size	High Quality
	Medium	Medium
	Small	Low
Size:	Quality:	
Blend	—	
Style:	Maturity:	
Small	—	

**Sector Weightings**

% of stocks 10-31-03

Information Economy	21.1
Software	6.6
Hardware	11.8
Media	1.2
Telecommunication	1.6
Service Economy	49.9
Healthcare	15.1
Consumer Services	10.6
Business Services	10.8
Financial Services	13.5
Manufact. Economy	29.0
Consumer Goods	7.4
Industrial Materials	16.2
Energy	4.2
Utilities	1.2

**Top 10 Securities** 10-31-03

% Net Total Stocks: 0  
Assets Total Bonds: 0

	Country	Sector
0.30 Sterling Bancorp	USA	Consumer Goods
0.24 Sierra Health Services	USA	Consumer Services
0.23 Independent Bank MI	USA	Consumer Goods
0.21 Movie Gallery	USA	Business Services
0.21 M/I Schottenstein Homes	USA	Business Services
0.20 Ansys	USA	Hardware
0.20 CSK Auto	USA	Business Services
0.20 Adolor	USA	Consumer Services
0.20 William Lyon Homes	USA	Business Services
0.20 Raven Industries	USA	Energy

2 % Net Assets in Top 10 Securities

**International Investments** 10-31-03

Regional Exposure	% of stocks
Americas	100.0
Greater Europe	0.0
Greater Asia	0.0

**Top Five Countries**

(out of 0 countries) % of stocks	
United States	100.0
Canada	0.0
-	—
-	—

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**Dimensional US Micro Cp**

12-31-2003

**EQ Style**

Small/Blend

**FI Style**

-

**Morningstar Category**

Small Blend

**Short-Term Volatility**

3 Mo Rolling Return

Best Rtn 45.81 % 12/1999-02/2000

Worst Rtn -27.00 % 06/1998-08/1998

Out of 132 periods

Num of times Below T-bill 50

Num of times Below Zero 46

**Longer-Term Volatility**

3 Yr Rolling Return (Annualized)

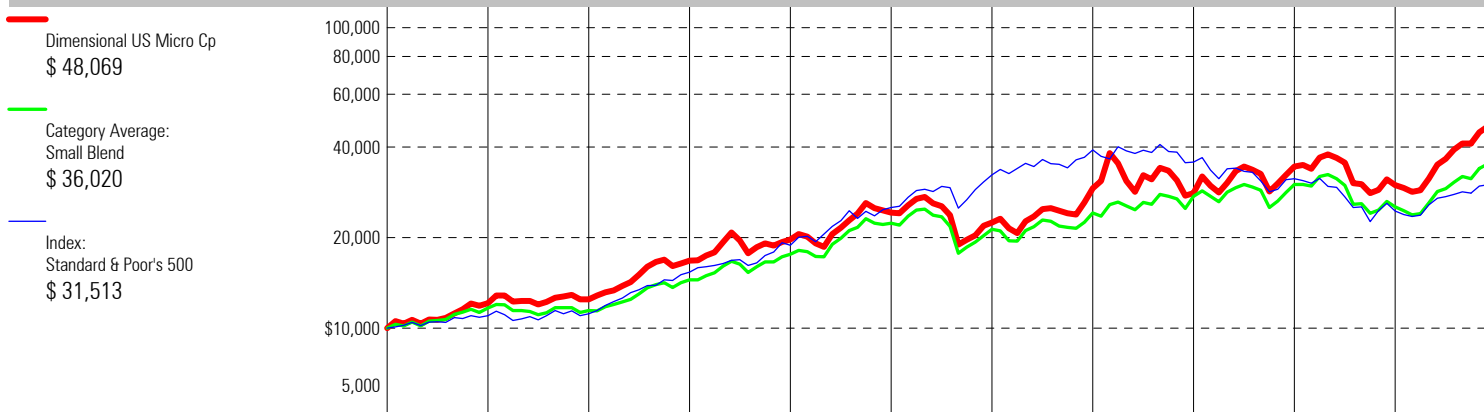
Best Rtn 31.85 % 11/1990-10/1993

Worst Rtn -9.37 % 03/2000-02/2003

Out of 132 periods

Num of times Below T-bill 14

Num of times Below Zero

**Growth of \$10,000****Calendar-Year Performance**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	12-03
Quartile Performance w/ Inv Cate	■	■	■	■	■	■	■	■	■	■	■
Total Return %	20.97	3.09	34.48	17.65	22.78	-7.32	29.79	-3.60	22.77	-13.27	60.72
+/- Standard & Poor's 500	10.91	1.78	-3.05	-5.30	-10.57	-35.90	8.75	5.50	34.65	8.82	32.05
Income \$	0.02	0.02	0.04	0.03	0.03	0.15	0.38	0.49	0.05	0.02	0.21
Capital Gains \$	0.62	0.00	0.84	1.16	1.89	0.00	0.89	1.99	1.71	0.14	0.18
Expense Ratio %	0.70	0.65	0.62	0.61	0.60	0.59	0.61	0.56	0.56	0.56	—
Net Assets (\$mil)	643.0	663.0	946.1	1186.6	1437.3	1360.2	1451.5	1378.0	1662.7	1533.0	—
NAV	8.25	8.49	10.53	11.20	11.78	10.76	12.61	9.64	10.01	8.53	13.32

**Trailing-Time-Period Performance**

12-31-2003

	Inception 12-01-81	YTD	3 Mo	12 Mo	3 Yr Annualized	5 Yr Annualized	10 Yr Annualized	15 Yr Annualized
Quartile Performance w/ Inv Cate	—	■	■	■	■	■	■	■
Total Return %	14.11	60.72	16.77	60.72	19.61	16.45	14.79	14.27
+/- Standard & Poor's 500	—	32.05	4.60	32.05	23.66	17.02	3.73	2.06
Load-Adjusted Return %	14.11	60.72	16.77	60.72	19.61	16.45	14.79	14.27
Load- and Tax-Adjusted Return %	—	—	—	—	—	—	—	—

**Fees and Costs**

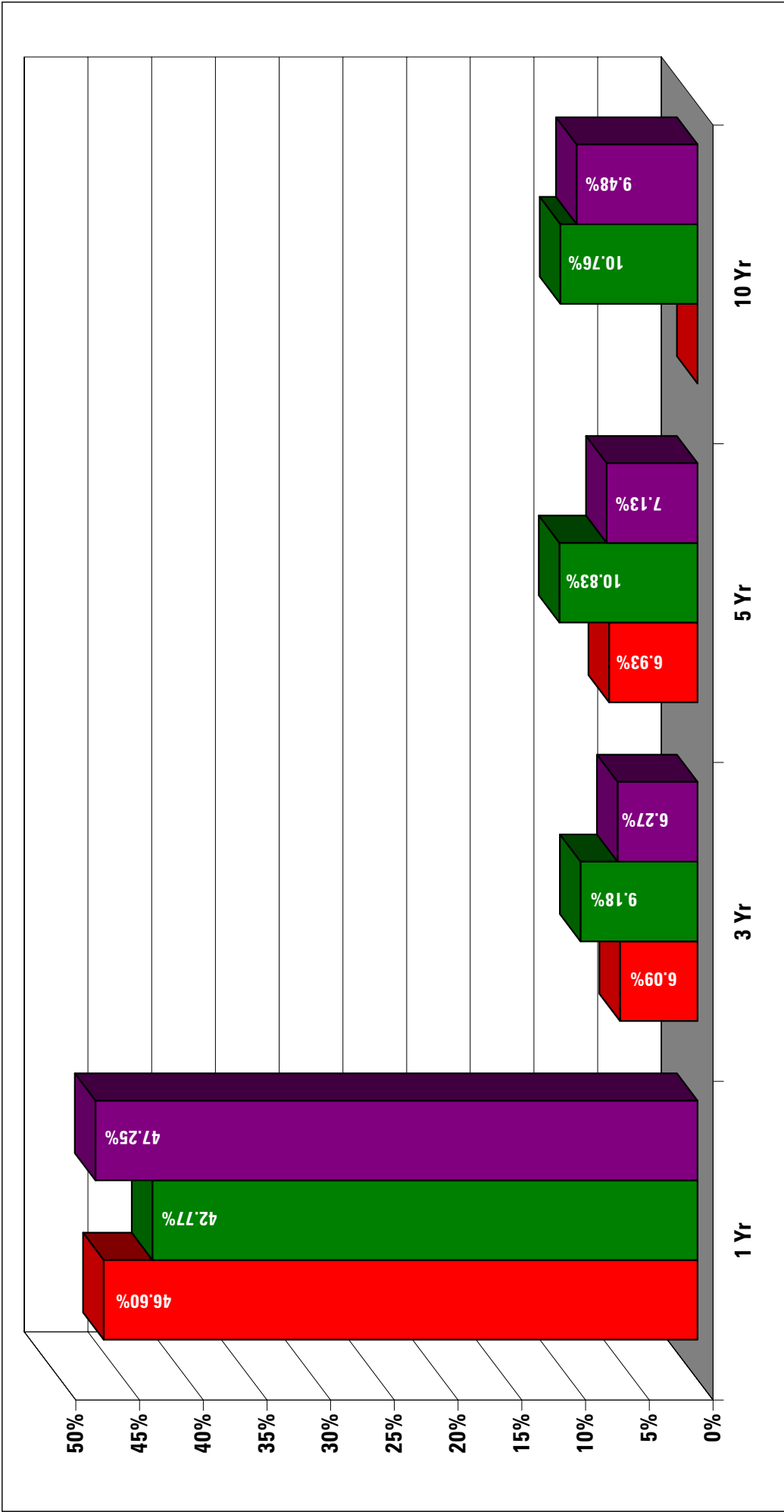
12b-1 Fee:	0.00 %	Expense Projection:	3 Yr: \$ 195	Front-End Load:	0.00 %	12 Month:	1.53 %
Expense Ratio:	0.56 %		5 Yr: \$ 340	Deferred Load:	0.00 %	SEC	— %

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MORNINGSTAR®

Small Cap Equity Index Fund

December 31, 2003



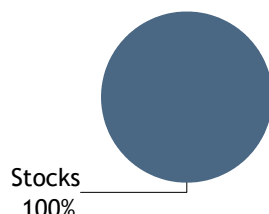
Fund Name		Morningstar Category	Equity Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
Small Cap Equity Index Fund		Small Cap Blend	-	46.60%	6.09%	6.93%	N/A	-	-
Category Average Tot Ret: Small Cap Blend Funds		Small Cap Blend	-	42.77%	9.18%	10.83%	10.76%	-	-
Benchmark Index: Russell 2000 Index		-	-	47.25%	6.27%	7.13%	9.48%	-	-



## Small Cap Equity Index Fund

### What the fund invests in:

This is an index fund that seeks to approximate the performance of the Russell 2000 Index by investing in a diversified sample of the stocks that make up the index. The Index is comprised of the 2000 smallest companies in the Russell 3000® Index and represents approximately 8% of the total market capitalization of the Russell 3000 Index. The Russell 3000 Index represents 98% of the total US equity market capitalization.



### Performance Returns (%)

	FUND	BENCHMARK <sup>1</sup>
Fourth Quarter	14.48	14.52
Year to Date	46.60	47.25
One Year	46.60	47.25
Three Year*	6.09	6.27
Five Year*	6.93	7.13
Since Inception*	6.51	6.73

\*Average annualized return

<sup>1</sup>Source - Russell 2000 Index

Because trading costs are high in small cap equities, the Fund does not hold some of the smallest stocks in the index and optimizes holdings instead. Deviations from the Index can be expected in the range of +/- 50 basis points (1 bp = 1/100 of 1%).

### Why invest in small-capitalization stocks?

Because of their growth potential, investing in small-sized companies can offer higher returns than investing in more established companies. However, with this growth potential comes a higher risk level.

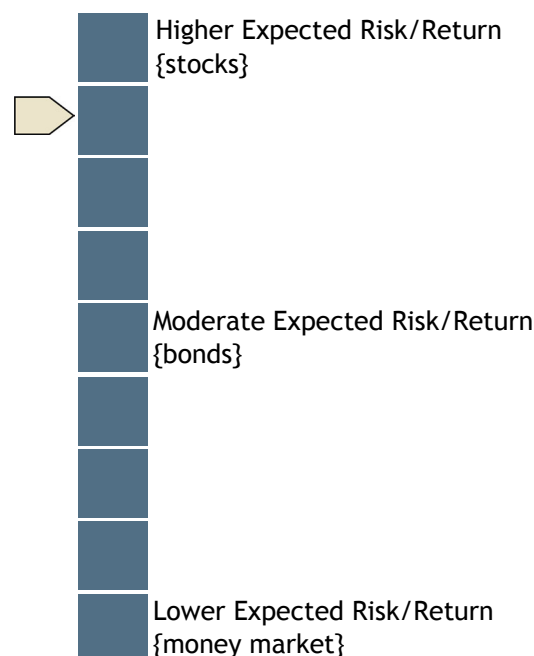
### Who should consider investing in this fund?

This fund is intended for long-term investors seeking capital appreciation from investing in smaller US companies. The risk level for this fund is high, as small-capitalization stocks tend to exhibit more volatility than larger capitalization stocks.

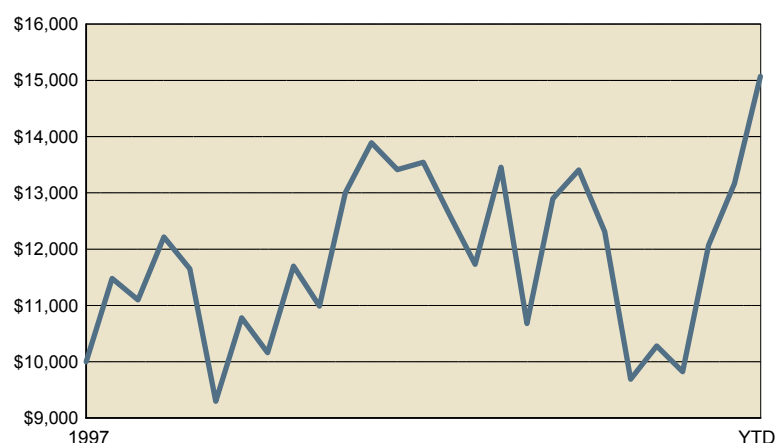
### Top 10 Holdings (%)

AMR Corp/Del	0.23
Louisiana-Pacific Corp	0.21
Sybase Inc	0.20
Titan Corp	0.20
Gen-Probe Inc	0.19
RF Micro Devices Inc	0.19
Ann Taylor Stores Corp	0.19
Andrew Corp	0.19
Allmerica Financial Corp	0.19
UCBH Holdings Inc	0.18

### Risk/Return Potential



This chart is for illustrative purposes only and does not predict future risk or performance.

**Growth of \$10,000**

*This graph represents the growth of a hypothetical investment of \$10,000. It assumes reinvestment of all income, and does not take into consideration any management fees. Past performance is no guarantee of future results.*

**Performance Notes**

All values are unaudited and subject to revision. All income is reinvested in the fund. The fund's inception is 1/2/01. Fund returns are reported net of management fees and certain transaction costs and expenses charged to the fund. Returns prior to inception are those of a fund with similar investment strategy. The Russell 2000 Index returns do not reflect any management fees, transaction costs, or expenses. The Index is an unmanaged index which tracks the performance of the 2000 smallest companies in the Russell 3000 Index. Past performance does not guarantee future results. Any returns shown as less than one year are cumulative returns.

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**Additional Information**

Beta	0.96
Yield	0.99%
Number Holdings	1,953

**Sector Diversification (%)**

Financial	20.77
Consumer, Non-cyclical	19.40
Consumer, Cyclical	14.30
Industrial	13.55
Technology	11.19
Communications	9.57
Energy	4.22
Basic Materials	4.01
Utilities	2.79
Other	0.14
Diversified	0.07

**Fees and Expenses**

Total management fees and other expenses charged to the fund were approximately 0.06% of the fund's estimated average assets.

**Fund Manager**

Barclays Global Investors, N.A. is the Fund's manager and trustee. Barclays Global Investors is headquartered in San Francisco, CA, and is owned by Barclays Bank PLC, one of the UK's largest companies. Barclays Global Investors employs more than 2,000 people around the world, and manages assets for many of the world's leading institutional investors. Barclays Global Investors uses a team approach in managing investment portfolios. For more information about BGI, please go to [www.barclaysglobal.com](http://www.barclaysglobal.com).

**Disclaimers**

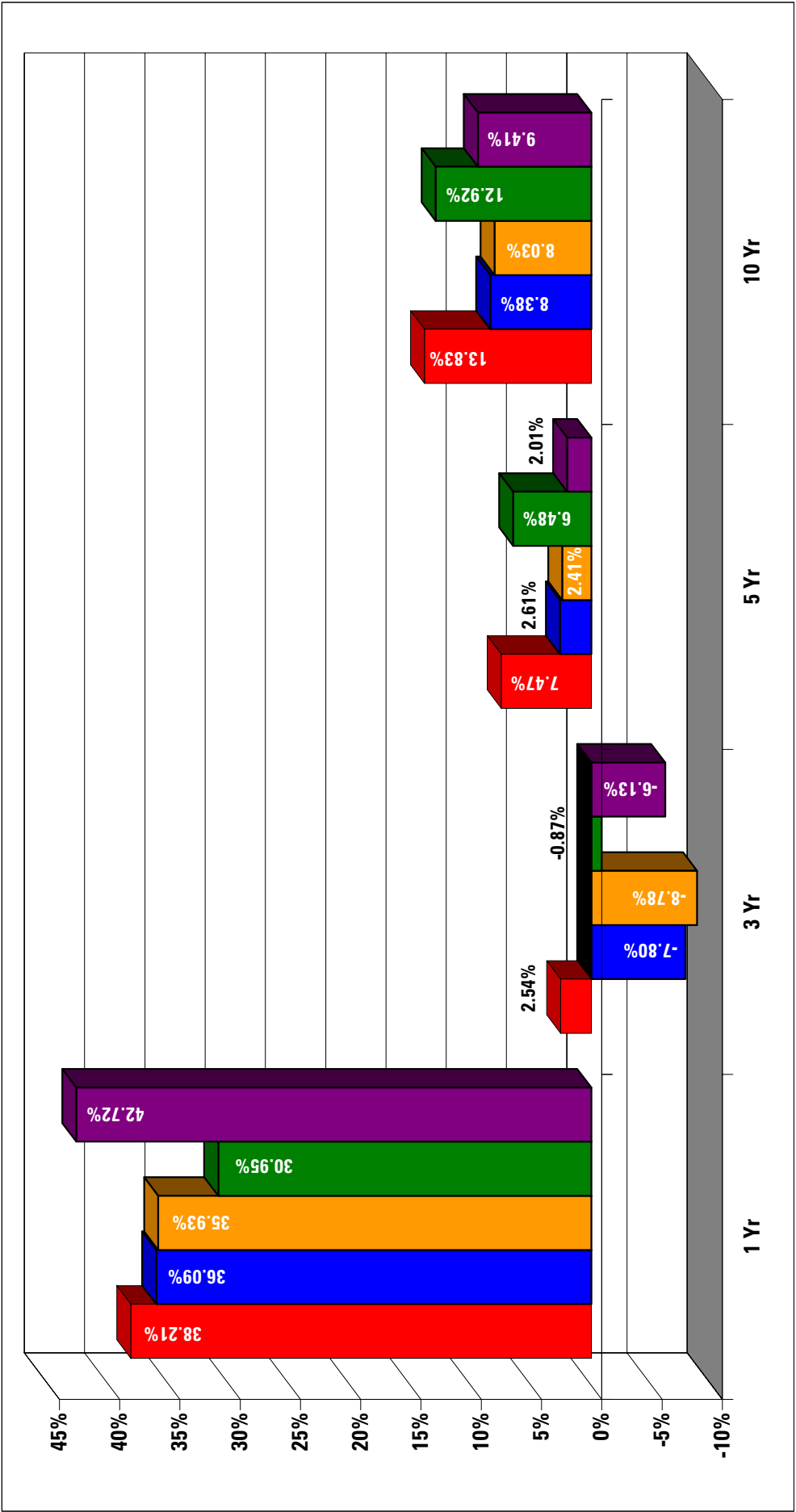
The fund is NOT FDIC insured, is NOT an obligation or deposit of, or guaranteed by, Barclays Global Investors or its affiliates and involves investment risk, including possible loss of principal.

The fund is a collective investment fund and is privately offered. Prospectuses are not required and prices are not available in local publications. To obtain pricing information, please contact your service representative.

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# T. Rowe Price Mid Cap Growth Fund

December 31, 2003

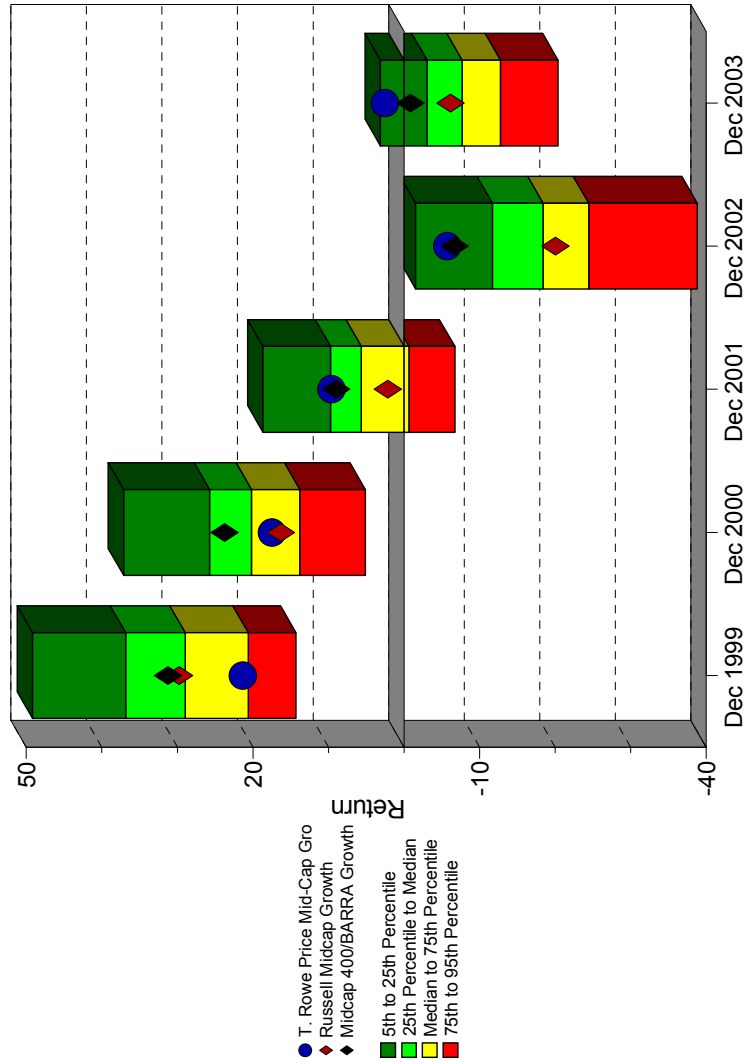


Fund Name		Morningstar Category		Equity Style Box		Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
T. Rowe Price Mid Cap Growth Fund		Mid Cap Growth		Mid Cap/Growth		38.21%	2.54%	7.47%	13.83%	5	8
Category Average Total Return: Mid Cap Growth Funds		Mid Cap Growth		-		36.09%	-7.80%	2.61%	8.38%	-	-
Category Average Total Return: Lipper Mid Cap Growth Funds		-		-		35.93%	-8.78%	2.41%	8.03%	-	-
Benchmark Index: S&P 400 Barra Growth Index		-		-		30.95%	-0.87%	6.48%	12.92%	-	-
Benchmark Index: Russell Mid Cap Growth Index		-		-		42.72%	-6.13%	2.01%	9.41%	-	-

# T. Rowe Price Mid Cap Growth Fund

## Manager vs Universe: Return

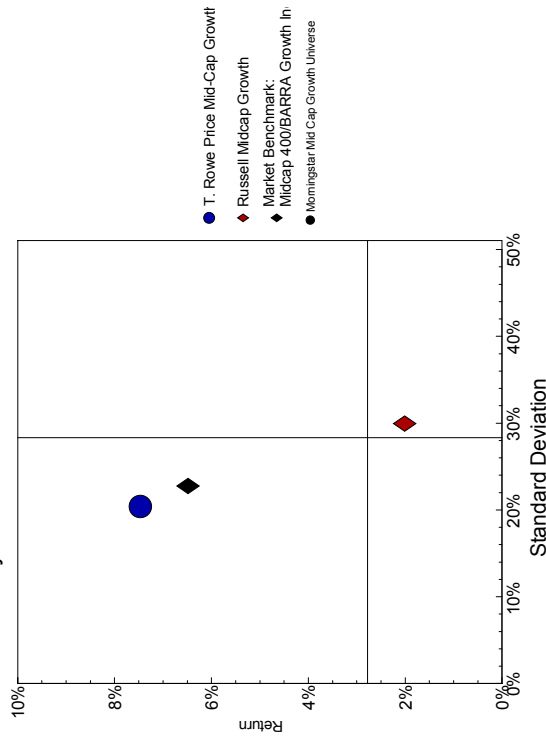
Morningstar Mid Cap Growth Universe



## Manager Risk/Return

Single Computation

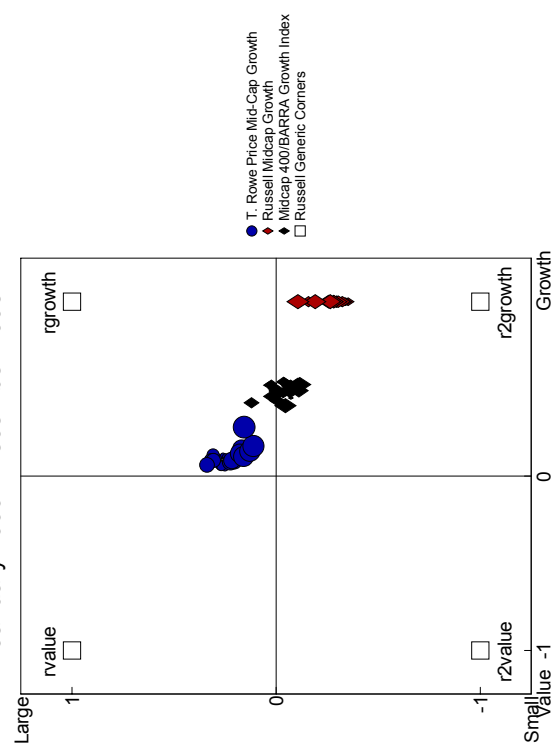
January 1999 - December 2003



## Manager Style

36-Month Moving Windows, Computed Monthly

January 1999 - December 2003



	Dec 1999	Dec 2000	Dec 2001	Dec 2002	Dec 2003
5th Percentile	49.16%	37.11%	18.67%	-1.55%	3.11%
25th Percentile	36.86%	25.73%	9.72%	-11.69%	-3.04%
Median	28.99%	20.18%	5.67%	-18.39%	-7.67%
75th Percentile	20.64%	13.78%	-0.66%	-24.43%	-12.76%
95th Percentile	14.29%	5.12%	-6.73%	-38.83%	-20.40%
T. Rowe Price Mid-Cap Growth	21.35%	17.50%	9.60%	-5.72%	2.54%
Russell Midcap Growth	29.77%	16.32%	2.16%	-20.03%	-6.13%
Midcap 400/BARRA Growth Index	31.26%	23.75%	8.95%	-6.71%	-0.87%

Morningstar Mid Cap Growth Universe

Manager returns supplied by: Morningstar, Inc.

**T. Rowe Price Mid Gr**

12-31-2003

**Rating**

★★★★★

**Manager Name**

Berghuis, Brian W.H.

**Morningstar Category**

Mid-Cap Growth

**Risk and Return Profile**

	Rel to Inv Category	Rel to Stock Funds
Risk	—	Below Average
Return	—	High
Rating	—	★★★★★

**Prospectus Summary**

T. Rowe Price Mid-Cap Growth Fund seeks long-term capital appreciation.

The fund normally invests at least 80% of assets in mid-cap common stocks with above-average growth potential. The advisor seeks companies that offer proven products or services, have an above-average historical record of earnings growth, have the potential for sustaining growth, operate in industries experiencing increasing demand, or are reasonably valued. The fund can purchase foreign stocks, futures, and options, if such purchases are in keeping with the fund's objectives.

**Manager Profile**

Brian W.H. Berghuis. Since 06-92. BA '81 Princeton U.

**Analysis** by Kunal Kapoor 12-01-03

Shareholders should be pleased to learn that T. Rowe Mid-Cap Growth is shutting its doors.

This fund will close to new investors on Dec. 8, 2003. With new money flowing in, the offering will shutter with more than \$9 billion in assets. The fund's popularity is no surprise: Not only are its long-term returns solid, but it was a standout during the bear market and has kept up in this year's rally. For the trailing three-year period through November 2003, the fund has outpaced more than 90% of its peers. It had less than \$3.5 billion in assets as recently as 1998, but its popularity swelled in recent years, potentially threatening its ability to stay atop the pile.

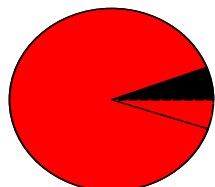
Its closing comes with an important caveat, however. In early 2004, T. Rowe Price will launch the T. Rowe Price Diversified Mid-Cap Growth Fund, which as its name suggests, will be playing in the same box as this fund. Although the new fund is likely to differentiate itself by hewing more closely to its chosen index, the fact remains that both funds will compete for some of the same names. If the overlap is substantial, that could dilute the benefits of closing this fund.

Meanwhile, it's business as usual here. Longtime manager Brian Berghuis says that though he's gradually reducing the fund's exposure to technology stocks and boosting its energy weighting, there have been no wholesale changes. In fact, the fund retains a strong cyclical bent because Berghuis believes the economy will stay strong for some time. So he has boosted the fund's exposure to radio and billboard-advertising companies, which typically benefit from sustained economic improvements.

Overall, it's tough to go wrong with this fund. If anything, shareholders should expect T. Rowe Price to lower expenses further, given the recent spurt in assets.

**Investment Approach** 09-30-03**Composition**

% of assets 09-30-03



- Cash
- U.S. Stocks
- Non-U.S. Stoc
- Bonds
- Other

**Investment Style**

6.4	Equity	Fixed-Income
88.0	Style	Maturity
5.6	Value Blend Growth	Short Int Long
0.0		
0.0		
	Large Size	High Quality
	Medium	Medium
	Small	Low
Size:	Growth	Quality:
Style:	Medium	Maturity:

**Sector Weightings**

% of stocks 09-30-03

Information Economy	21.6
Software	4.9
Hardware	10.6
Media	3.5
Telecommunication	2.6
Service Economy	59.9
Healthcare	18.8
Consumer Services	13.8
Business Services	18.4
Financial Services	8.9
Manufact. Economy	18.5
Consumer Goods	2.4
Industrial Materials	9.4
Energy	6.7
Utilities	0.0

**Top 10 Securities** 09-30-03

% Net Total Stocks: 0  
Assets Total Bonds: 0

6.40	Reserve Invnt Fds
2.13	Omnicare
1.42	ChoicePoint
1.22	Rockwell Collins
1.19	Seagate Technology
1.18	Anthem
1.18	Waddell & Reed Finl CI A
1.17	Certegy
1.15	Dst Sys
1.14	Harris

Country	Sector
USA	—
USA	Consumer Services
USA	Financial Services
USA	Energy
USA	Media
USA	Consumer Goods
USA	Consumer Goods
USA	Financial Services
USA	Financial Services
USA	Media

**International Investments** 09-30-03

Regional Exposure	% of stocks
Americas	98.5
Greater Europe	0.5
Greater Asia	1.1

**Top Five Countries**

(out of 0 countries) % of stocks	
United States	94.0
Canada	3.6
Israel	1.1
Bermuda	0.7
Netherlands	0.5

18 % Net Assets in Top 10 Securities

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**T. Rowe Price Mid Gr**

12-31-2003

**EQ Style**

Medium/Growth

**FI Style**

-

**Morningstar Category**

Mid-Cap Growth

**Short-Term Volatility**

3 Mo Rolling Return

Best Rtn 26.79 % 10/1998-12/1998

Worst Rtn -18.88 % 07/2002-09/2002

Out of 132 periods

Num of times Below T-bill 45

Num of times Below Zero 39

**Longer-Term Volatility**

3 Yr Rolling Return (Annualized)

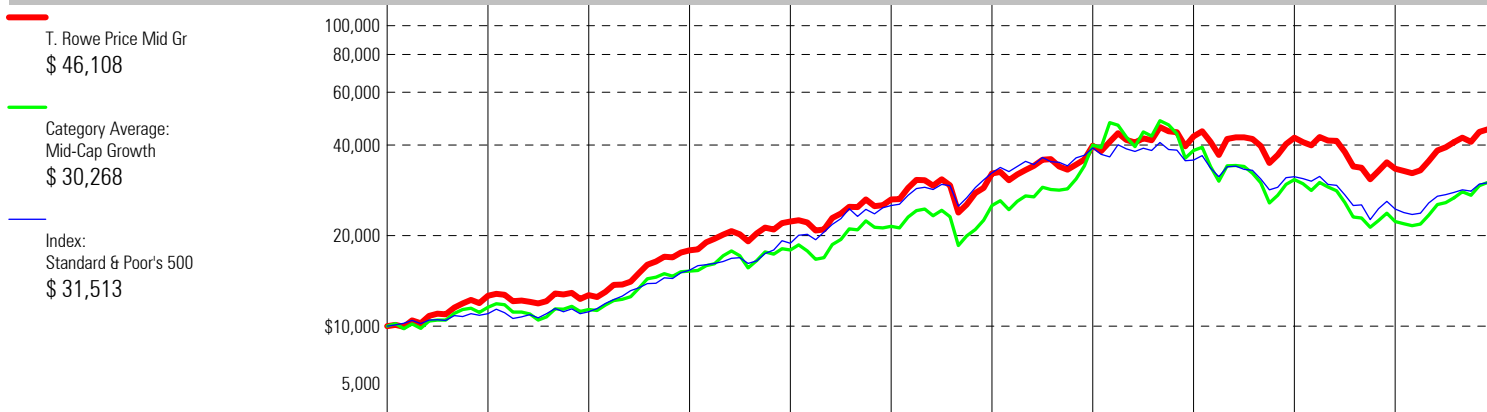
Best Rtn 30.76 % 04/1995-03/1998

Worst Rtn -9.06 % 04/2000-03/2003

Out of 103 periods

Num of times Below T-bill 17

Num of times Below Zero

**Growth of \$10,000****Calendar-Year Performance**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	12-03
Quartile Performance w/ Inv Cate	■	■	■	■	■	■	■	■	■	■	■
Total Return %	26.24	0.29	40.95	24.84	18.33	22.00	23.78	7.43	-0.98	-21.22	38.21
+/- Standard & Poor's 500	16.18	-1.02	3.42	1.89	-15.02	-6.58	2.74	16.53	10.90	0.87	9.54
Income \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Capital Gains \$	0.30	0.37	0.79	0.69	0.30	0.73	1.88	3.27	0.00	0.00	0.00
Expense Ratio %	1.25	1.25	1.25	1.04	0.95	0.91	0.87	0.86	0.89	0.88	—
Net Assets (\$mil)	27.6	100.5	264.0	1021.0	1838.7	3310.2	5243.5	6588.9	6739.4	5713.1	7973.9
NAV	15.18	14.85	20.13	24.43	28.60	34.08	40.13	39.79	39.40	31.04	42.90

**Trailing-Time-Period Performance**

12-31-2003

	Inception 06-01-92	YTD	3 Mo	12 Mo	3 Yr Annualized	5 Yr Annualized	10 Yr Annualized	15 Yr Annualized
Quartile Performance w/ Inv Cate	—	■	■	■	■	■	■	—
Total Return %	16.41	38.21	12.36	38.21	2.54	7.47	13.83	—
+/- Standard & Poor's 500	—	9.54	0.19	9.54	6.59	8.04	2.77	—
Load-Adjusted Return %	16.41	38.21	12.36	38.21	2.54	7.47	13.83	—
Load- and Tax-Adjusted Return %	—	—	—	—	—	—	—	—

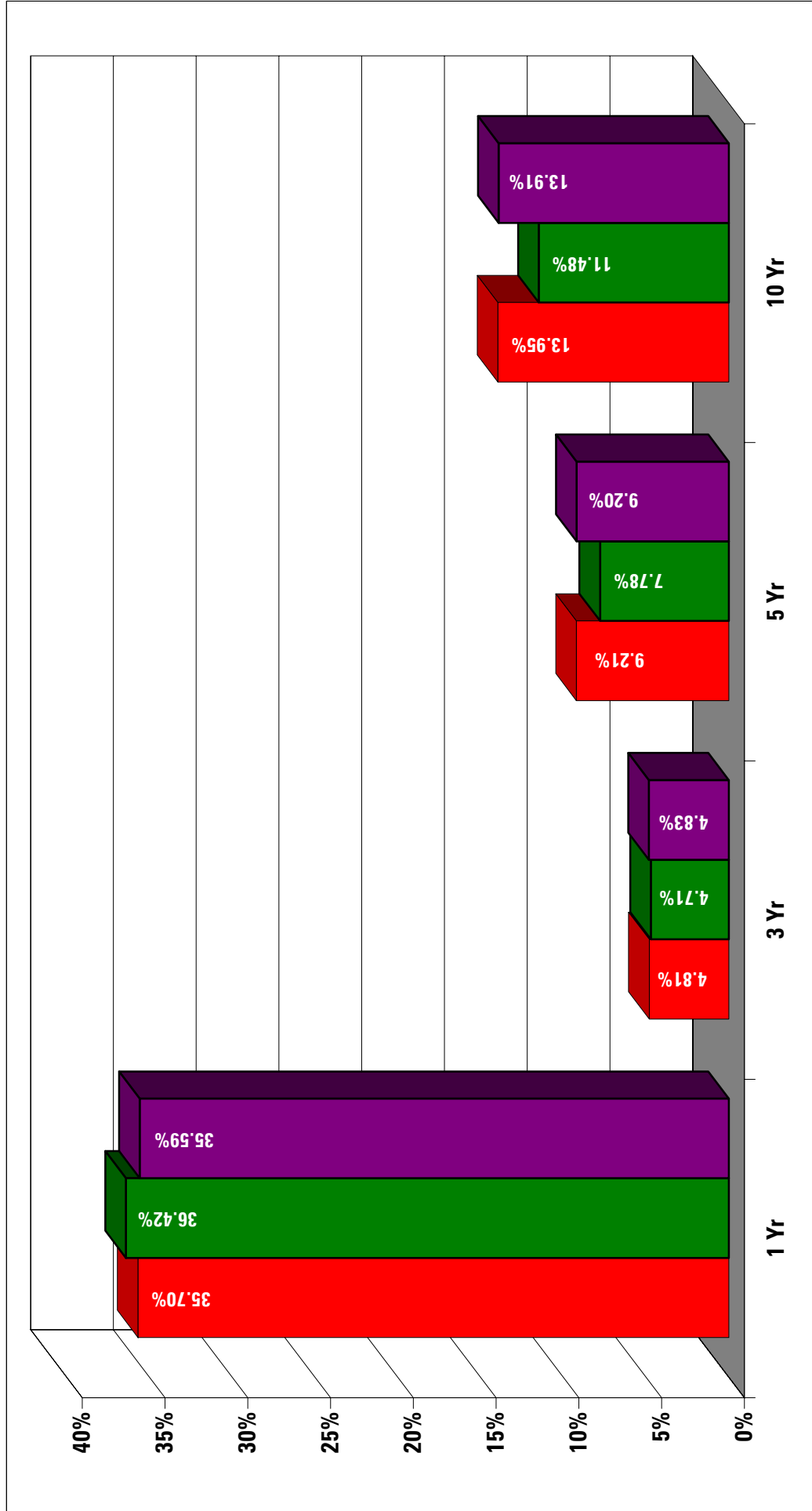
**Fees and Costs**

12b-1 Fee:	0.00 %	Expense Projection:	3 Yr: \$ 281	Front-End Load:	0.00 %	12 Month:	— %
Expense Ratio:	0.88 %		5 Yr: \$ 188	Deferred Load:	0.00 %	SEC	— %

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# MidCap Equity Index Fund

December 31, 2003

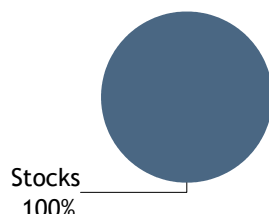


Fund Name	Morningstar Category	Equity Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
MidCap Equity Index Fund	Mid Cap Blend	-	35.70%	4.81%	9.21%	13.95%	-	-
Category Average Tot Ret: Mid Cap Blend Funds	Mid Cap Blend	-	36.42%	4.71%	7.78%	11.48%	-	-
Benchmark Index: S&P 400 Mid Cap Index	-	-	35.59%	4.83%	9.20%	13.91%	-	-

## MidCap Equity Index Fund

### What the fund invests in:

This is an index fund that seeks to match the performance of the S&P 400® Index by investing in stocks that make up the index. The S&P 400 Index is comprised of medium-sized US companies that represent the middle tier of the US stock market, while the S&P 500® Index represents the largest tier of the US market.



### Performance Returns (%)

	FUND	BENCHMARK¹
Fourth Quarter	13.17	13.19
Year to Date	35.70	35.62
One Year	35.70	35.62
Three Year*	4.81	4.84
Five Year*	9.21	9.21
Ten Year*	13.95	13.93

\*Average annualized return

¹Source - S&P 400 Index

### Why invest in mid-capitalization US stocks?

Because of their growth potential, investing in medium-sized companies can offer higher returns than investing in more established companies. However, with this growth potential comes a higher risk level.

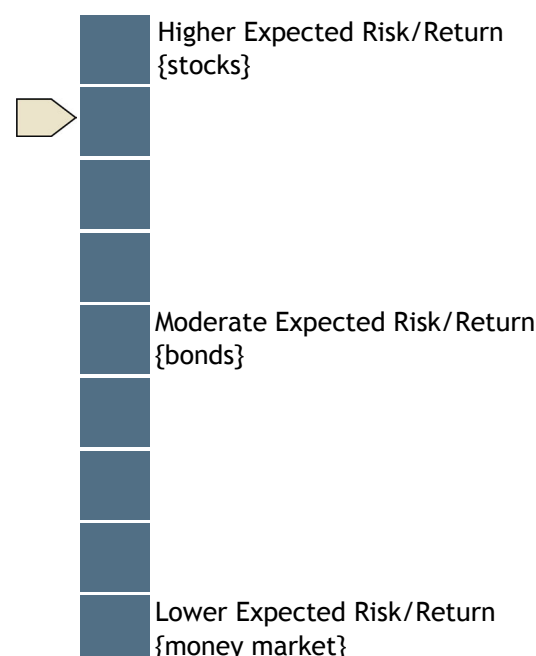
### Who should consider investing in this fund?

This fund is intended for long-term investors seeking high returns that reflect the growth potential of mid-sized US companies.

### Top 10 Holdings (%)

M & T Bank Corp	1.22
Gilead Sciences Inc	1.22
Lennar Corp	0.78
Washington Post	0.78
New York Community Bancorp	0.76
Affiliated Computer Svcs	0.74
Coach Inc	0.72
Sovereign Bancorp Inc	0.72
Microchip Technology Inc	0.71
Mylan Laboratories	0.70

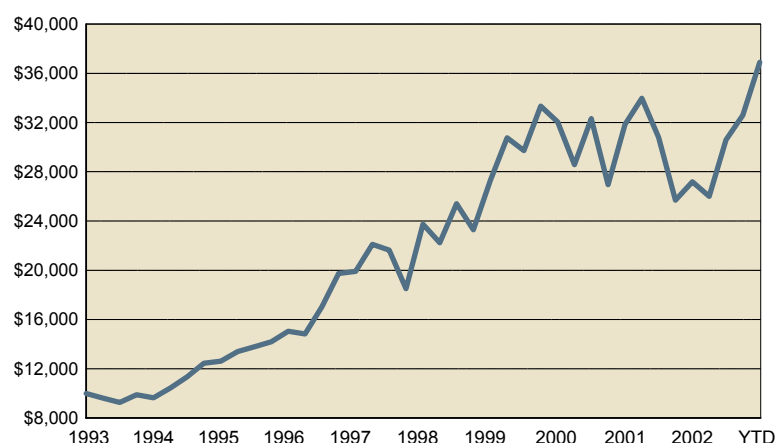
### Risk/Return Potential



This chart is for illustrative purposes only and does not predict future risk or performance.



## Growth of \$10,000



*This graph represents the growth of a hypothetical investment of \$10,000. It assumes reinvestment of all income, and does not take into consideration any management fees. Past performance is no guarantee of future results.*

## Performance Notes

All values are unaudited and subject to revision. All income is reinvested in the fund. The fund's inception is 2/1/01. Fund returns since inception are reported net of management fees and certain transaction costs and expenses charged to the fund. Returns prior to inception are those of a fund with similar investment strategy and are calculated gross of investment management fees. The S&P MidCap 400 Index returns do not reflect any management fees, transaction costs, or expenses. The Index is an unmanaged index which tracks the performance of 400 mid-sized companies. Past performance does not guarantee future results. Any returns shown as less than one year are cumulative returns.

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## Additional Information

Beta	0.94
Yield	1.01%
Number Holdings	400

## Sector Diversification (%)

Consumer, Non-cyclical	20.18
Financial	19.79
Consumer, Cyclical	15.39
Technology	11.33
Industrial	10.52
Energy	7.55
Communications	6.15
Utilities	5.84
Basic Materials	3.24

## Fees and Expenses

Total management fees and other expenses charged to the fund were approximately 0.04% of the fund's estimated average assets.

## Fund Manager

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## Disclaimers

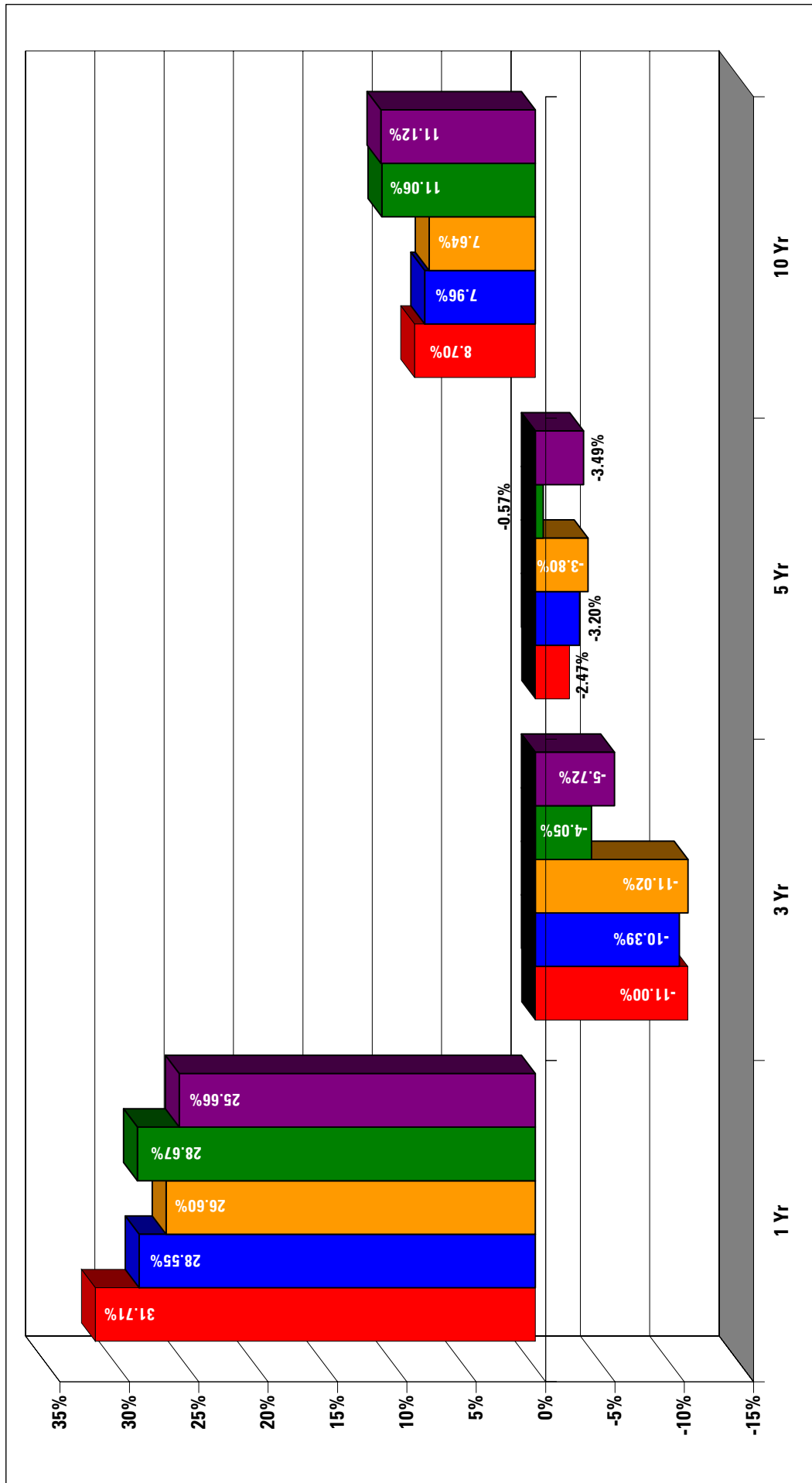
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# Janus Fund

December 31, 2003

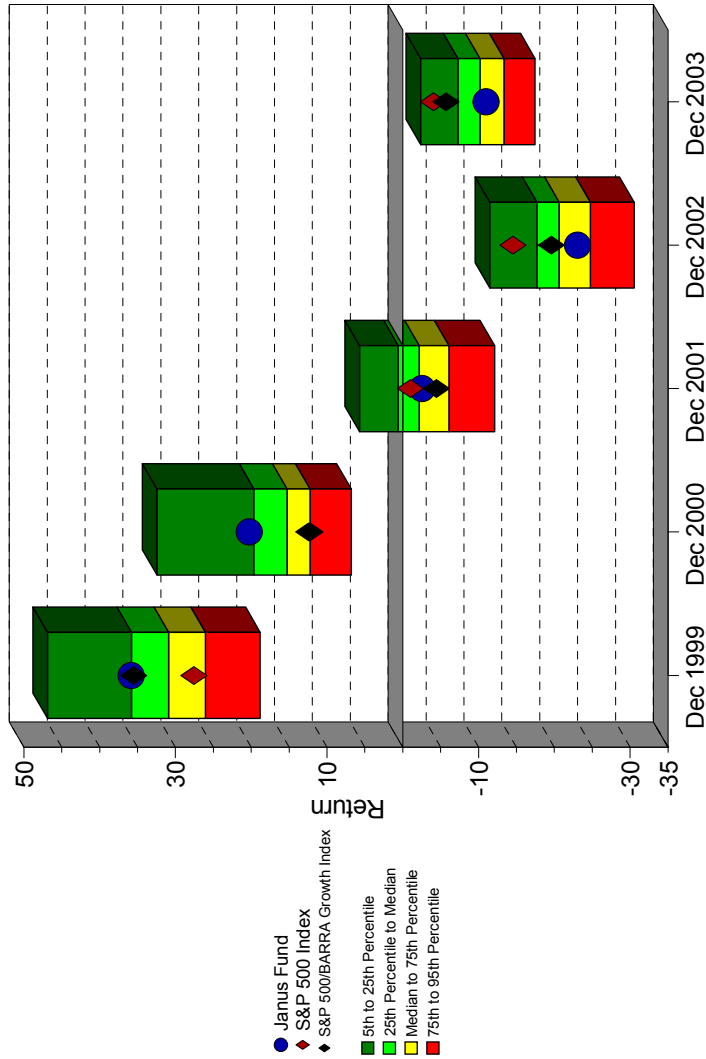


Fund Name	Morningstar Category	Equity Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
Janus Fund	Large Cap Growth	Large Cap/Growth	31.71%	-11.00%	-2.47%	8.70%	3	58
Category Average Tot Ret: Large Cap Growth Funds	Large Cap Growth	-	28.55%	-10.39%	-3.20%	7.96%	-	-
Category Average Tot Ret: Lipper Large Cap Growth Funds	-	-	26.60%	-11.02%	-3.80%	7.64%	-	-
Benchmark Index: S&P 500 Index	-	-	28.67%	-4.05%	-0.57%	11.06%	-	-
Benchmark Index: S&P 500 Barra Growth Index	-	-	25.66%	-5.72%	-3.49%	11.12%	-	-

## Janus Fund

# Manager vs Universe: Return

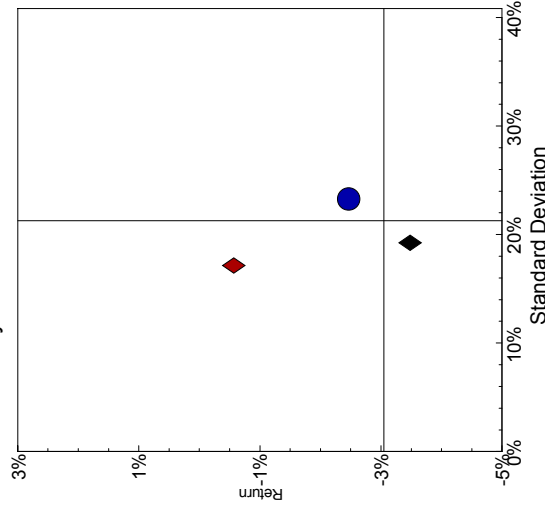
Morningstar Large Cap Growth Universe



## Manager Risk/Return

Single Computation

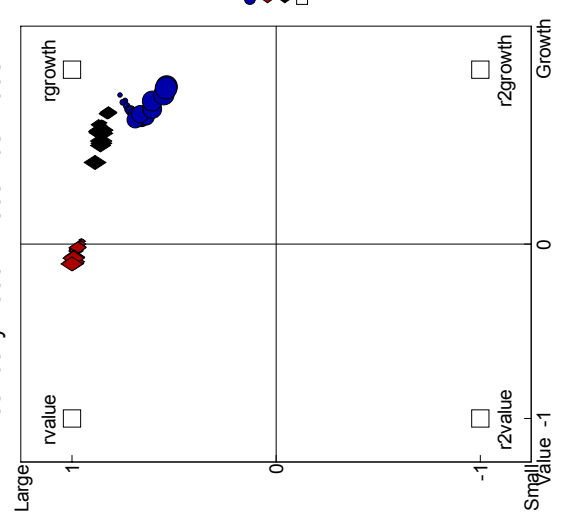
January 1999 - December 2003



## Manager Style

36-Month Moving Windows, Computed Monthly

January 1999 - December 2003



	Dec 1999	Dec 2000	Dec 2001	Dec 2002	Dec 2003
5th Percentile	46.88%	32.44%	5.69%	-11.49%	-2.37%
25th Percentile	35.80%	19.66%	0.61%	-17.69%	-7.27%
Median	30.92%	15.29%	-2.15%	-20.63%	-10.17%
75th Percentile	26.06%	12.25%	-6.09%	-24.75%	-13.34%
95th Percentile	18.81%	6.79%	-12.14%	-30.55%	-17.47%
Janus	35.86%	20.25%	-2.56%	-23.06%	-11.00%
S&P 500 Index	27.56%	12.26%	-1.03%	-14.55%	-4.05%
S&P 500/BARRA Growth Index	35.52%	12.42%	-4.46%	-19.61%	-5.72%

Morningstar Large Cap Growth Universe

Manager returns supplied by: Morningstar, Inc.

**Janus**

12-31-2003

**Rating**

★★★

**Manager Name**

Rollins, Blaine P.

**Morningstar Category**

Large Growth

**Risk and Return Profile**

	Rel to Inv Category	Rel to Stock Funds
Risk	—	Above Average
Return	—	Average
Rating	—	★★★

**Prospectus Summary**

Janus Fund seeks long-term growth of capital.

The fund primarily invests in equity securities with growth potential. It generally invests in larger, more established companies. The fund may invest up to 35% of assets in high-yield bonds. It may also invest up to 15% of assets in illiquid investments and without limit in foreign equity and debt securities.

**Analysis** by Brian Portnoy 09-19-03

For now, we'd steer clear of Janus Fund.

On Sept. 3, 2003, New York Attorney General Eliot Spitzer filed a complaint against hedge fund Canary Capital Partners. That complaint alleges that Janus and three other fund families allowed the hedge fund access to several of its funds for the express purpose of market-timing. Janus claimed in its prospectuses that market-timing would not be allowed, but yet it seemingly agreed to grant the hedge fund special privileges as long as Janus could make money on other Canary investments.

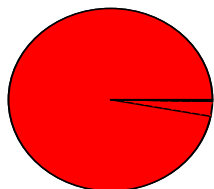
Spitzer's evidence indicates that Janus knew this market-timing could hurt its buy-and-hold investors, but agreed to the deal so it could bolster the company's profits. Those actions represent a major breach of Janus' fiduciary duty to shareholders. We think the accusations are serious enough and the existing evidence is compelling enough to encourage investors to consider other options.

Our advice extends to Janus Fund even though it was not specifically mentioned in the complaint. We see this apparent ethical lapse as an institutional problem and not a fund-by-fund issue. Until Janus redresses current problems and installs credible safeguards, we aren't recommending any in-house Janus funds. As with any decision, investors should weigh all considerations, such as taxes and, if the fund is in a retirement plan, what other large-growth options are available.

Meanwhile, the fund has been delivering average performance during 2003's market rally. For the year to date through Sept. 18, the fund has gained 22.3%, while the average large-growth peer has gained a few basis points more. Some of the fund's tech holdings have soared lately, but its insurance holdings have been quite sluggish. Manager Blaine Rollins' full record here is also average. Those seeking a different option should check out Morningstar's large-growth Fund Analyst Picks.

**Manager Profile**

Not Available

**Investment Approach** 11-30-03**Composition** % of assets 11-30-03

- Cash
- U.S. Stocks
- ▨ Non-U.S. Stoc
- Bonds
- Other

**Investment Style**

0.0	Equity	Fixed-Income
96.6	Style	Maturity
3.0	Value Blend Growth	Short Int Long
0.0		
0.4		
	Large Size	High Quality
	Medium	Medium
	Small	Low
Size:	Quality:	
Growth	—	
Style:	Maturity:	
Large	—	

**Sector Weightings** % of stocks 11-30-03

Information Economy	40.5
Software	0.1
Hardware	21.2
Media	19.2
Telecommunication	0.0
Service Economy	42.2
Healthcare	6.6
Consumer Services	12.6
Business Services	10.3
Financial Services	12.7
Manufact. Economy	17.4
Consumer Goods	7.7
Industrial Materials	9.7
Energy	0.0
Utilities	0.0

**Top 10 Securities** 11-30-03

% Net	Total Stocks:	0
Assets	Total Bonds:	0

	Country	Sector
6.90 Comcast Corporatio	USA	—
6.57 Maxim Integrated Products	USA	Media
6.38 Linear Technology	USA	Media
5.49 Time Warner	USA	Telecommunication
3.80 Cisco Systems	USA	Media
3.25 Walgreen	USA	Business Services
3.24 Viacom B	USA	Telecommunication
3.19 Colgate-Palmolive	USA	Industrial Goods
2.90 Univision Communications	USA	Telecommunication
2.39 United Parcel Service B	USA	Financial Services

44 % Net Assets in Top 10 Securities

**International Investments** 11-30-03

Regional Exposure	% of stocks
Americas	97.5
Greater Europe	2.0
Greater Asia	0.5

**Top Five Countries**

(out of 0 countries) % of stocks	
United States	96.9
Ireland	1.0
Canada	0.5
Finland	0.5
Japan	0.5

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**Janus**

12-31-2003

**EQ Style**

Large/Growth

**FI Style**

-

**Morningstar Category**

Large Growth

**Short-Term Volatility**

3 Mo Rolling Return

Best Rtn 34.51 % 11/1998-01/1999

Worst Rtn -25.82 % 07/2001-09/2001

Out of 132 periods

Num of times Below T-bill 47

Num of times Below Zero 44

**Longer-Term Volatility**

3 Yr Rolling Return (Annualized)

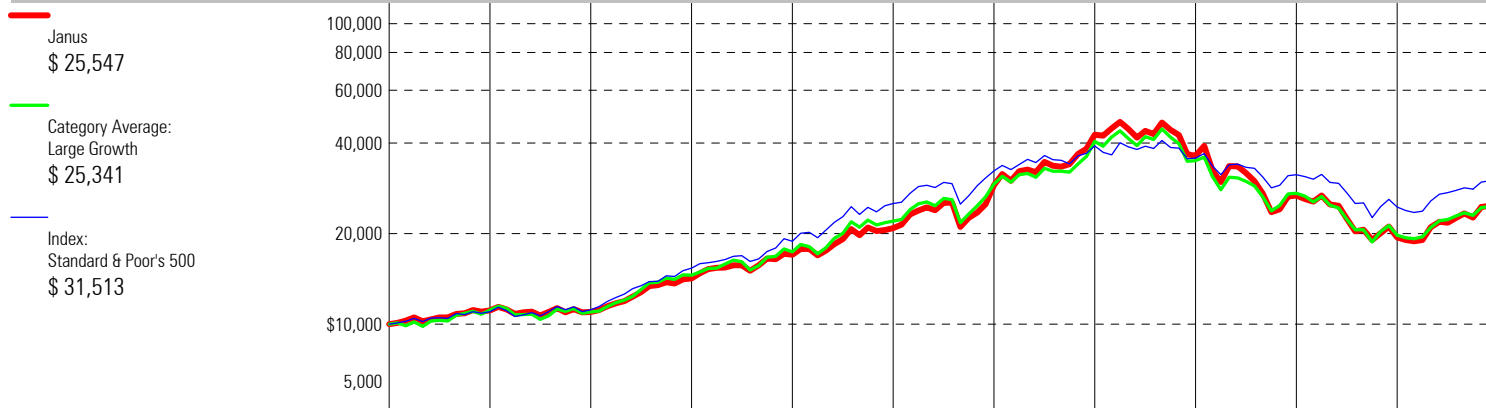
Best Rtn 40.55 % 04/1997-03/2000

Worst Rtn -26.03 % 04/2000-03/2003

Out of 132 periods

Num of times Below T-bill 28

Num of times Below Zero

**Growth of \$10,000****Calendar-Year Performance**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	12-03
Quartile Performance w/i Inv Cate	■	■	■	■	■	■	■	■	■	■	■
Total Return %	10.92	-1.10	29.43	19.61	22.72	38.89	47.13	-14.91	-26.10	-27.56	31.71
+/- Standard & Poor's 500	0.86	-2.41	-8.10	-3.34	-10.63	10.31	26.09	-5.81	-14.22	-5.47	3.04
Income \$	0.39	0.01	0.78	0.21	0.23	0.08	0.00	0.55	0.00	0.00	0.00
Capital Gains \$	0.94	0.39	0.49	2.92	4.75	0.82	5.22	3.84	0.00	0.00	0.00
Expense Ratio %	0.92	0.91	0.86	0.85	0.86	0.87	0.84	0.84	0.83	0.84	—
Net Assets (\$mil)	9199.6	9400.6	12466.2	15890.3	19200.2	25490.6	42330.2	39174.4	25621.8	15426.1	17222.5
NAV	19.39	18.78	23.04	24.45	24.90	33.65	44.05	33.29	24.60	17.82	23.47

**Trailing-Time-Period Performance 12-31-2003**

	Inception 02-01-70	YTD	3 Mo	12 Mo	3 Yr Annualized	5 Yr Annualized	10 Yr Annualized	15 Yr Annualized
Quartile Performance w/i Inv Cate	—	■	■	■	■	■	■	■
Total Return %	14.43	31.71	13.11	31.71	-11.00	-2.47	8.70	12.25
+/- Standard & Poor's 500	—	3.04	0.94	3.04	-6.95	-1.90	-2.36	0.04
Load-Adjusted Return %	14.43	31.71	13.11	31.71	-11.00	-2.47	8.70	12.25
Load- and Tax-Adjusted Return %	—	—	—	—	—	—	—	—

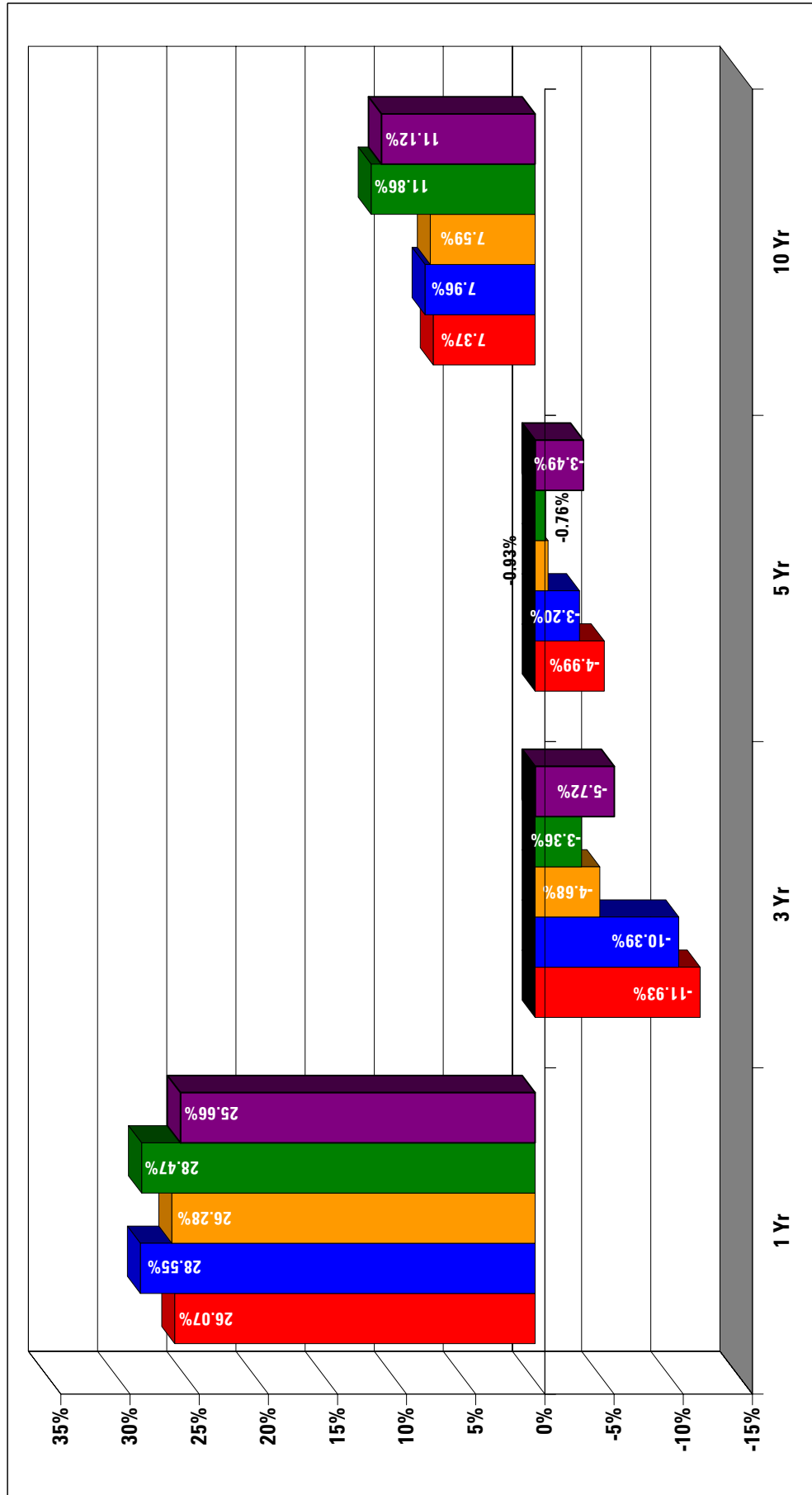
**Fees and Costs**

12b-1 Fee:	0.00 %	Expense Projection:	3 Yr: \$ 271	Front-End Load:	0.00 %	12 Month:	— %
Expense Ratio:	0.84 %		5 Yr: \$ 471	Deferred Load:	0.00 %	SEC	— %

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# The Dreyfus Premier Third Century Fund, Inc. (Class R)

December 31, 2003



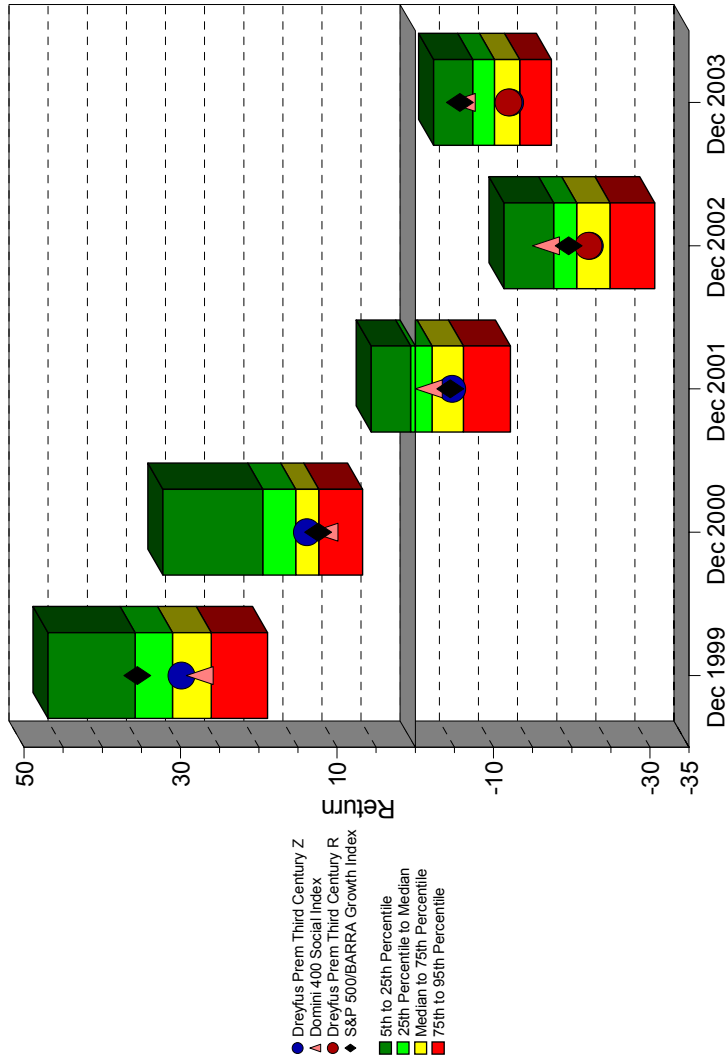
Fund Name	Morningstar Category	Equity Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
The Dreyfus Premier Third Century Fund, Inc. (Class R) *	Large Cap Growth	Large Cap/Growth	26.07%	-11.93%	-4.99%	7.37%	3	64
Category Average Tot Ret: Large Growth Funds	Large Cap Growth	-	28.55%	-10.39%	-3.20%	7.96%	-	-
Peer Group Average: Large Cap Socially Responsible Funds	-	-	26.28%	-4.68%	-0.93%	7.59%	-	-
Benchmark Index: Domini Social Index	-	-	28.47%	-3.36%	-0.76%	11.86%	-	-
Benchmark Index: S&P 500 Barra Growth Index	-	-	25.66%	-5.72%	-3.49%	11.12%	-	-

\* Returns used for Class Z prior to the inception of Class R in August, 1999. / This fund is closed to participants

# The Dreyfus Premier Third Century Fund, Inc. (Class R)

## Manager vs Universe: Return

Morningstar Large Cap Growth Universe



	Dec 1999	Dec 2000	Dec 2001	Dec 2002	Dec 2003
5th Percentile	46.92%	32.26%	5.64%	-11.34%	-2.37%
25th Percentile	35.80%	19.47%	0.61%	-17.70%	-7.33%
Median	31.02%	15.28%	-2.15%	-20.65%	-10.10%
75th Percentile	26.06%	12.33%	-6.14%	-24.89%	-13.33%
95th Percentile	18.87%	6.73%	-12.16%	-30.62%	-17.39%
Dreyfus Prem Third Century Z	29.90%	13.85%	-4.73%	-22.29%	-12.14%
Domini 400 Social Index	27.56%	11.60%	-1.73%	-16.70%	-5.94%
Dreyfus Prem Third Century R	N/A	N/A	N/A	-22.14%	-11.93%
S&P 500/BARRA Growth Index	35.52%	12.42%	-4.46%	-19.61%	-5.72%

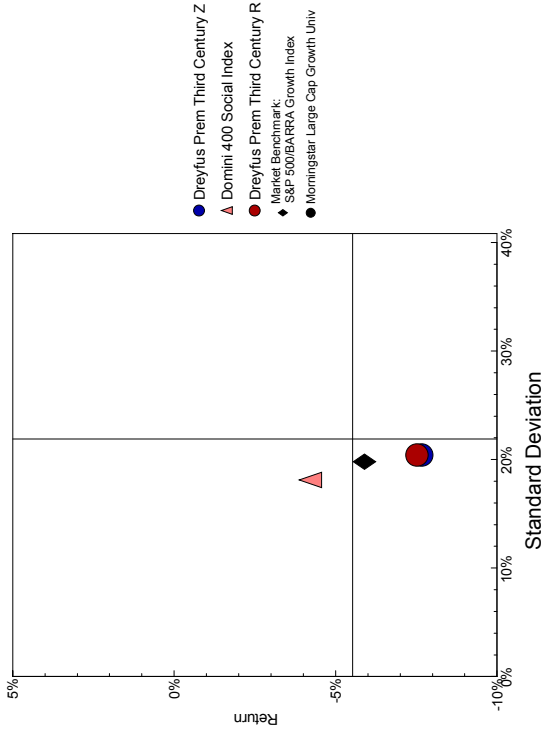
Morningstar Large Cap Growth Universe

Manager returns supplied by: Morningstar, Inc.

## Manager Risk/Return

Single Computation

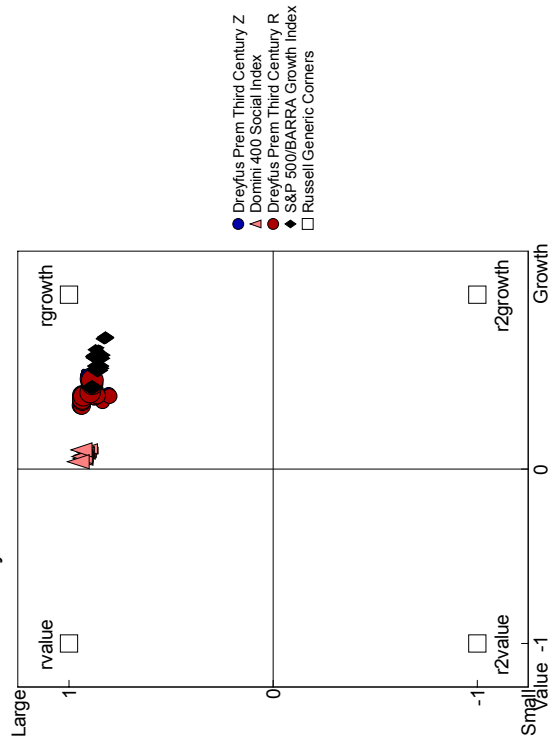
September 1999 - December 2003



## Manager Style

36-Month Moving Windows, Computed Monthly

January 1999 - December 2003



**Dreyfus Prem Thrd Cent R**

12-31-2003

**Rating**

★★★

**Manager Name**

Tuttle/Hilton

**Morningstar Category**

Large Growth

**Risk and Return Profile**

	Rel to Inv Category	Rel to Stock Funds
Risk	—	Average
Return	—	Average
Rating	—	★★★

**Prospectus Summary**

Dreyfus Premier Third Century Fund seeks capital growth; current income is a secondary consideration.

The fund invests primarily in the common stock of companies that, in the opinion of the fund's management, meet traditional investment standards and conduct their business in a manner that contributes to the enhancement of the quality of life in America. It may invest in derivative instruments, such as options.

**Analysis** by Shannon Zimmerman 11-24-03

This somewhat unique socially screened offering remains a work in progress.

Dreyfus Premier Third Century has only one absolute negative screen, and that's for tobacco. The other criteria here are assessed on a more qualitative basis. Under the direction of comanager Paul Hilton, the fund kicks out of its investable universe those companies that lack adequate track records when it comes to such issues as equal employment opportunity, worker and product safety, and the environment. This latter area sometimes leads socially responsible investing (SRI) funds away from energy and industrial picks, but that's not the case here. Because Hilton takes a "best-in-class" approach to his social screening, the fund now sports peer-besting exposure to both those sectors.

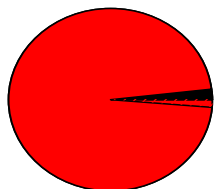
But though the fund's approach to social screening sets it apart from the SRI pack, the offering's financial criteria aren't especially novel. Working closely with analyst Leigh Todd, lead manager Emerson Tuttle generally homes in on financially sound industry leaders with global orientations, viable business models, and clear competitive advantages. At the end of September 2003, for example, top holdings here included such tried-and-true names as software kingpin Microsoft MSFT, financial stalwart Citigroup C, and health-care titan Pfizer PFE.

As you might expect, the fund's buttoned-down approach has dragged on returns amid the growth-paced rally of 2003. With investors finally hankering again for more-speculative equities, this mild-mannered offering has managed a gain of 18.7% for the year to date through Nov. 21, 2003, a mark that lands within spitting distance of the peer group's bottom third.

That's a fine absolute return, and the process here is fundamentally sound. Still, we think the management team—which only took the reins in mid-2002—needs more time to prove its mettle. SRI investors have superior choices.

**Manager Profile**

Not Available

**Investment Approach** 09-30-03**Composition** % of assets 09-30-03

- Cash
- U.S. Stocks
- Non-U.S. Stoc
- Bonds
- Other

**Investment Style**

2.1	Equity	Fixed-Income
96.2	Style	Maturity
1.7	Value Blend Growth	Short Int Long
0.0		
0.0		
	Large Size	High Quality
	Medium	Medium
	Small	Low
Size:	Quality:	
Growth	—	
Style:	Maturity:	
Large	—	

**Sector Weightings** % of stocks 09-30-03

Information Economy	30.5
Software	8.3
Hardware	16.5
Media	3.9
Telecommunication	1.8
Service Economy	47.1
Healthcare	21.6
Consumer Services	7.9
Business Services	2.9
Financial Services	14.7
Manufact. Economy	22.3
Consumer Goods	8.4
Industrial Materials	8.6
Energy	4.3
Utilities	1.1

**Top 10 Securities** 09-30-03

% Net	Total Stocks:	0
Assets	Total Bonds:	0

	Country	Sector
5.32 Microsoft	USA	Hardware
4.32 Pfizer	USA	Consumer Services
3.59 Cisco Systems	USA	Media
3.24 Citigroup	USA	Consumer Goods
2.96 Intel	USA	Media
2.94 Johnson & Johnson	USA	Consumer Services
2.75 IBM	USA	Media
2.66 American Express	USA	Consumer Goods
2.59 Dell	USA	Media
2.48 Tyco International	USA	Energy

33 % Net Assets in Top 10 Securities

**International Investments** 09-30-03

Regional Exposure	% of stocks
Americas	98.3
Greater Europe	1.7
Greater Asia	0.0

**Top Five Countries**

(out of 0 countries) % of stocks	
United States	98.3
Netherlands	1.7
-	—
-	—

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**Dreyfus Prem Thrd Cent R**

12-31-2003

**EQ Style**

Large/Growth

**FI Style**

-

**Morningstar Category**

Large Growth

**Short-Term Volatility**

3 Mo Rolling Return

Best Rtn 21.20 % 10/1999-12/1999

Worst Rtn -18.69 % 05/2002-07/2002

Out of 50 periods

Num of times Below T-bill 29

Num of times Below Zero 28

**Longer-Term Volatility**

3 Yr Rolling Return (Annualized)

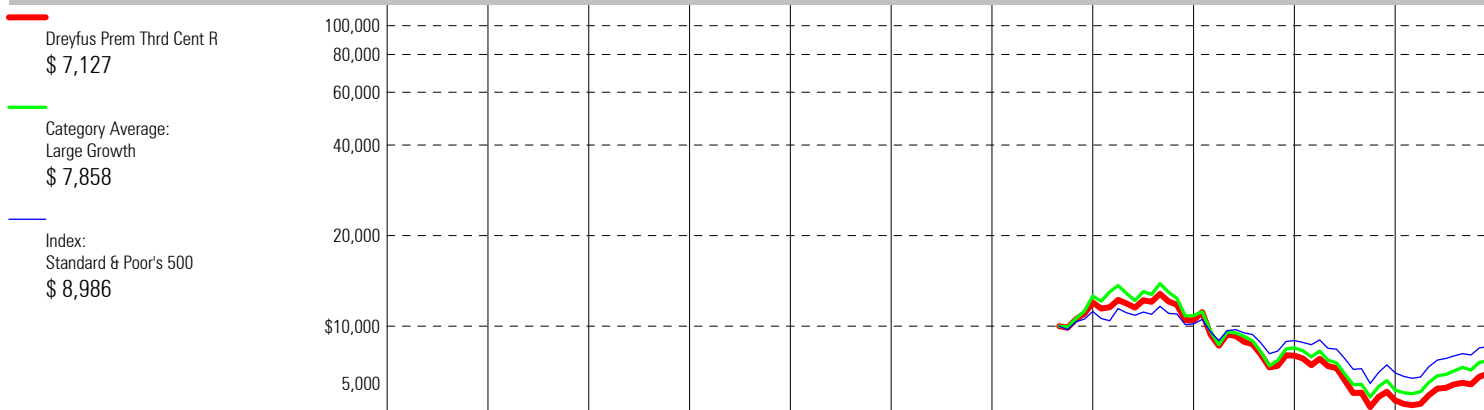
Best Rtn -11.93 % 01/2001-12/2003

Worst Rtn -23.32 % 04/2000-03/2003

Out of 17 periods

Num of times Below T-bill 17

Num of times Below Zero

**Growth of \$10,000****Calendar-Year Performance**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	12-03
Quartile Performance w/i Inv Cate:											
Total Return %								-12.87	-23.57	-29.12	26.07
+/- Standard & Poor's 500	—	—	—	—	—	—	—	-3.77	-11.69	-7.03	-2.60
Income \$								0.09	0.00	0.00	0.00
Capital Gains \$								0.84	0.07	0.00	0.00
Expense Ratio %								—	0.84	0.81	0.86
Net Assets (\$mil)								0.1	34.6	23.9	28.0
NAV								11.78	8.93	6.33	7.98

**Trailing-Time-Period Performance 12-31-2003**

	Inception 08-01-99	YTD	3 Mo	12 Mo	3 Yr Annualized	5 Yr Annualized	10 Yr Annualized	15 Yr Annualized
Quartile Performance w/i Inv Cate:	—					—	—	—
Total Return %	-7.52	26.07	11.45	26.07	-11.93	—	—	—
+/- Standard & Poor's 500	—	-2.60	-0.72	-2.60	-7.88	—	—	—
Load-Adjusted Return %	-7.52	26.07	11.45	26.07	-11.93	—	—	—
Load- and Tax-Adjusted Return %	—	—	—	—	—	—	—	—

**Fees and Costs**

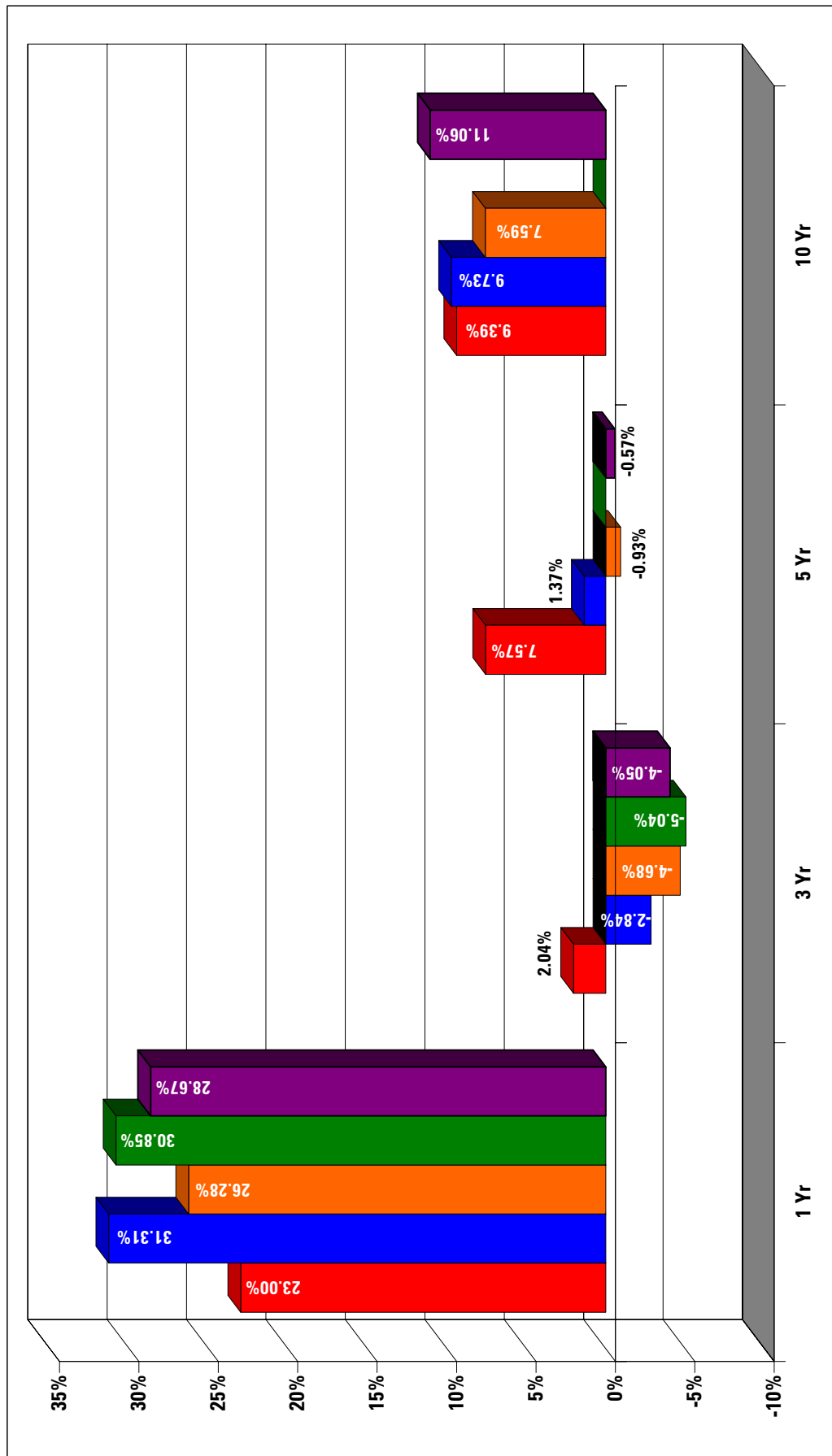
12b-1 Fee:	0.00 %	Expense Projection:	3 Yr: \$ 318	Front-End Load:	0.00 %	12 Month:	— %
Expense Ratio:	0.86 %		5 Yr: \$ 552	Deferred Load:	0.00 %	SEC	— %

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# Calvert Social Investment Fund: Equity Portfolio (Class I)

December 31, 2003



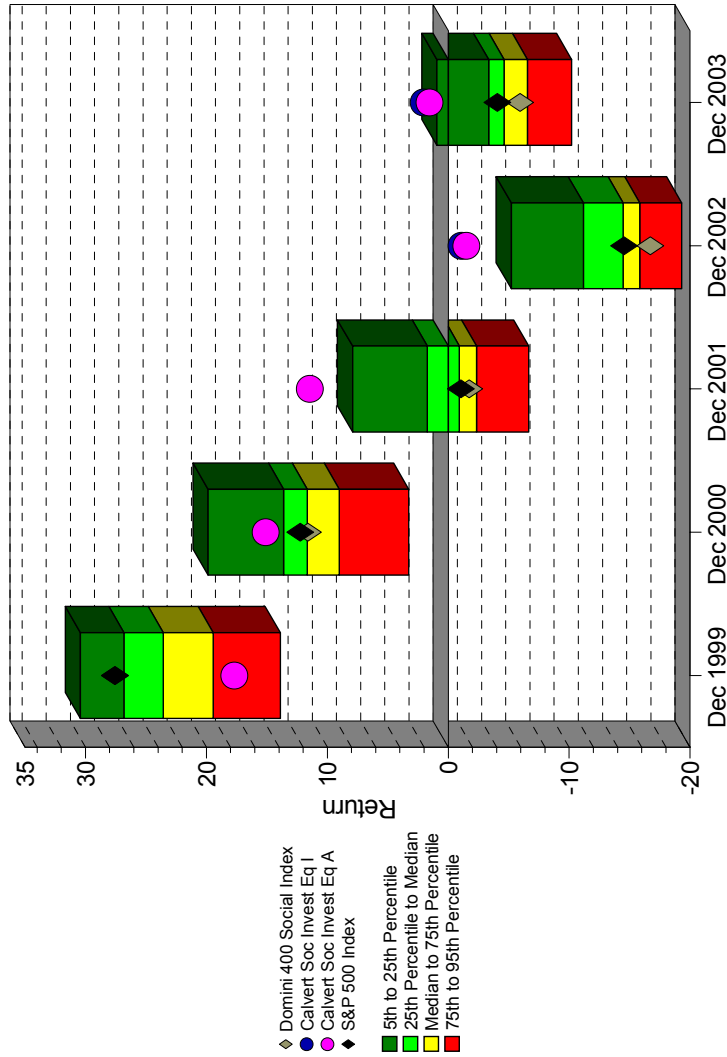
Fund Name	Morningstar Category	Equity Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
Calvert Social Investment Fund: Equity Portfolio (Class I) *	Large Cap Blend	Large Cap/Growth	23.00%	2.04%	7.57%	9.39%	5	4
Category Average Tot Ret: Lipper Multi-Cap Core Funds	-	-	31.31%	-2.84%	1.37%	9.73%	-	-
Peer Group Average: Large Cap Socially Responsible Funds	-	-	26.28%	-4.68%	-0.93%	7.59%	-	-
Benchmark Index: Calvert Social Index	-	-	30.85%	-5.04%	-	-	-	-
Benchmark Index: S&P 500 Index	-	-	28.67%	-4.05%	-0.57%	11.06%	-	-

\* Returns used for Class A prior to the inception of Class I in November, 1999.

# Calvert Social Investment Fund: Equity Portfolio (Class I)

## Manager vs Universe: Return

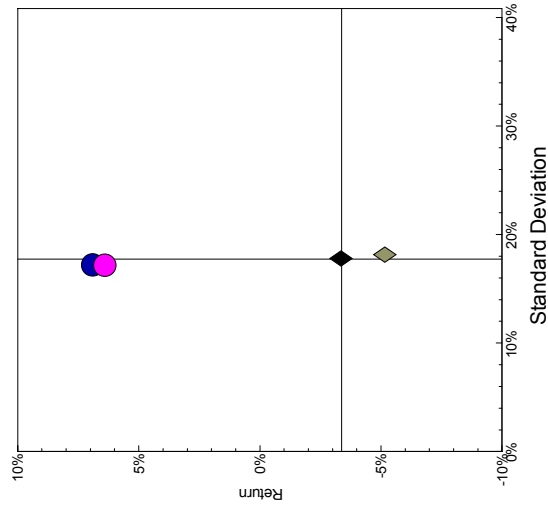
Morningstar Large Cap Blend Universe



## Manager Risk/Return

Single Computation

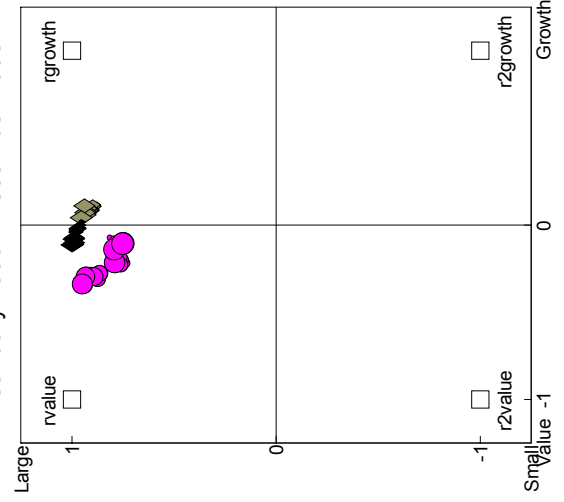
November 1999 - December 2003



## Manager Style

36-Month Moving Windows, Computed Monthly

January 1999 - December 2003



	Dec 1999	Dec 2000	Dec 2001	Dec 2002	Dec 2003
5th Percentile	30.43%	19.86%	7.91%	-5.21%	0.95%
25th Percentile	26.82%	13.62%	1.73%	-11.17%	-3.33%
Median	23.57%	11.67%	-0.92%	-14.46%	-4.61%
75th Percentile	19.43%	9.01%	-2.35%	-15.83%	-6.55%
95th Percentile	13.89%	3.27%	-6.67%	-19.30%	-10.20%
Domini 400 Social Index	27.56%	11.60%	-1.73%	-16.70%	-5.94%
Calvert Soc Invest Equity I	N/A	N/A	N/A	-1.11%	2.04%
Calvert Soc Invest Equity A	17.69%	15.09%	11.44%	-1.49%	1.56%
S&P 500 Index	27.56%	12.26%	-1.03%	-14.55%	-4.05%

Morningstar Large Cap Blend Universe

Manager returns supplied by: Morningstar, Inc.

**Calvert Soc Inv Equity I**

12-31-2003

**Rating**

★★★★★

**Manager Name**

Boone, III, Daniel W.

**Morningstar Category**

Large Blend

**Risk and Return Profile**

	Rel to Inv Category	Rel to Stock Funds
Risk	—	Average
Return	—	High
Rating	—	★★★★★

**Prospectus Summary**

Calvert Social Investment Fund Equity Portfolio seeks growth of capital.

The fund normally invests in common stocks of large-cap companies having, on average, market capitalization of at least \$1 billion. Investment returns will be mostly from changes in the price of the fund's holdings. The fund invests with the philosophy that long-term rewards to investors will come from those organizations whose products, services, and methods enhance the human condition and the traditional American values of individual initiative, equality of opportunity, and cooperative effort.

**Manager Profile**

Daniel W. Boone, III. Since 09-98. MBA U. of Pennsylvania-Wharton

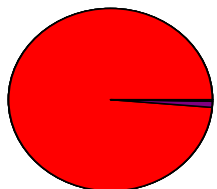
**Analysis** by Shannon Zimmerman 11-07-03

Look past Calvert Social Investment Equity's current struggles.

This socially responsible investing (SRI) fund has lagged the pack of late owing in part to its penchant for blue-chip titans with solid financials and steady rates of earnings growth. By and large, this year's rally has been led by the market's iffier names, stocks that were beaten down so badly during the bear market that, for many investors, their valuations became irresistible. To be sure, this fund's return of 18.5% on the year is nothing to sneeze at. Nonetheless, that mark only earns a spot in the large-blend group's bottom quartile for the year to date through Nov. 6, 2003. <BR/> <BR/> Much of the fund's relative underperformance this year can be attributed to a slug of laggards that appear among its top holdings. Microsoft MSFT soaks up more than 3% of assets here, for example, and though tech stocks have soared in 2003, investors have largely preferred more-speculative fare with (they hope) greater prospects for growth than the Redmond, Wa., software behemoth. Big pharma has been in the doldrums lately, too, with investors concerned about a dearth of new blockbuster drugs and the potential for legislation that could hamper the industry's pricing power. Against that backdrop, top-25 holdings such as Pfizer PFE, Merck MRK, and Schering-Plough SGP have also dragged on the fund's performance.

But there's certainly no cause for alarm here. Since becoming skipper in September 1998, Daniel Boone has racked up a sterling track record, traversing both bull and bear markets with aplomb. The offering's five-year trailing return of 9.2% lands near the very top of the category's heap. The fund also comes up a winner compared with its typical SRI peer, too.

Despite its relative struggles this year, this remains a worthy core holding for any investor seeking a solid portfolio anchor. Boone pursues a sensible strategy and has delivered for shareholders over time.

**Investment Approach** 11-30-03**Composition** % of assets 11-30-03

- Cash
- U.S. Stocks
- Non-U.S. Stoc
- Bonds
- Other

**Investment Style**

0.0	Equity	Fixed-Income
98.5	Style	Maturity
0.0	Value Blend Growth	Short Int Long
1.2		
0.3		
	Large Size	High Quality
	Medium	Medium
	Small	Low
	Size:	Quality:
	Growth	—
	Style:	Maturity:
	Large	—

**Sector Weightings** % of stocks 11-30-03

Information Economy	21.1
Software	2.6
Hardware	16.6
Media	0.0
Telecommunication	1.8
Service Economy	60.7
Healthcare	19.7
Consumer Services	18.7
Business Services	9.3
Financial Services	13.0
Manufact. Economy	18.2
Consumer Goods	4.6
Industrial Materials	9.6
Energy	2.0
Utilities	2.0

**Top 10 Securities** 11-30-03

% Net	Total Stocks:	0
Assets	Total Bonds:	0

	Country	Sector
3.60 Cisco Systems	USA	Media
3.20 Pfizer	USA	Consumer Services
3.16 Medtronic	USA	Consumer Services
2.92 Amgen	USA	Consumer Services
2.77 Health Management Associates	USA	Consumer Services
2.72 American International Group	USA	Consumer Goods
2.62 Microsoft	USA	Hardware
2.52 Emerson Electric	USA	Energy
2.51 Intel	USA	Media
2.48 Dell	USA	Media

**International Investments** 11-30-03

Regional Exposure	% of stocks
Americas	100.0
Greater Europe	0.0
Greater Asia	0.0

**Top Five Countries**

(out of 0 countries) % of stocks	
United States	100.0
-	—
-	—
-	—

29 % Net Assets in Top 10 Securities

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**Calvert Soc Inv Equity I****EQ Style**
 Large/Growth
**FI Style**

-

**Morningstar Category**

Large Blend

12-31-2003

**Short-Term Volatility**

3 Mo Rolling Return

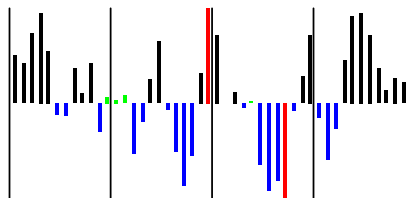
Best Rtn 15.31 % 10/2001-12/2001

Worst Rtn -16.10 % 07/2002-09/2002

Out of 48 periods

Num of times Below T-bill 23

Num of times Below Zero 19

**Longer-Term Volatility**

3 Yr Rolling Return (Annualized)

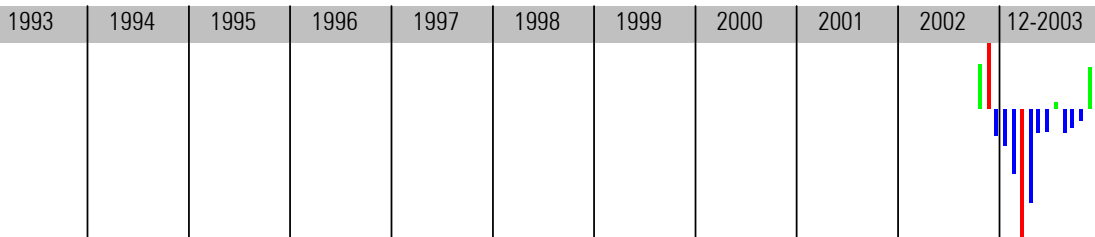
Best Rtn 2.69 % 12/1999-11/2002


Worst Rtn -5.88 % 04/2000-03/2003


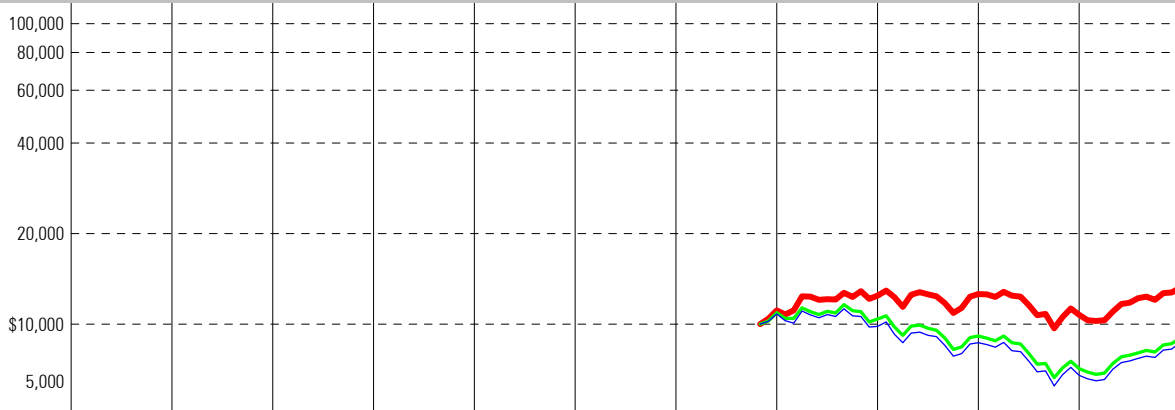
Out of 15 periods

Num of times Below T-bill 15

Num of times Below Zero

**Growth of \$10,000**
 Calvert Soc Inv Equity I  
\$ 13,209

 Category Average:  
Large Blend  
\$ 9,003

 Index:  
Standard & Poor's 500  
\$ 8,689
**Calendar-Year Performance**

Quartile Performance w/i Inv Cate:

Total Return %

+/- Standard &amp; Poor's 500

Income \$

Capital Gains \$

Expense Ratio %

Net Assets (\$mil)

NAV

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	12-03
							11.98	1.05	-14.52	23.00
—	—	—	—	—	—	—	21.08	12.93	7.57	-5.67
							0.00	0.00	0.00	0.00
							1.63	0.88	0.02	0.00
							0.80	0.80	0.81	0.70
							2.5	8.7	30.9	76.9
							31.85	31.31	26.74	32.89

**Trailing-Time-Period Performance 12-31-2003**

	Inception 11-01-99	YTD	3 Mo	12 Mo	3 Yr Annualized	5 Yr Annualized	10 Yr Annualized	15 Yr Annualized
Quartile Performance w/i Inv Cate:	—					—	—	—
Total Return %	6.91	23.00	9.85	23.00	2.04	—	—	—
+/- Standard & Poor's 500	—	-5.67	-2.32	-5.67	6.09	—	—	—
Load-Adjusted Return %	6.91	23.00	9.85	23.00	2.04	—	—	—
Load- and Tax-Adjusted Return %	—	—	—	—	—	—	—	—

**Fees and Costs**

12b-1 Fee:

0.00 %

Expense Projection:

3 Yr: \$ —

Front-End Load:

**Yield**

12 Month: — %

Expense Ratio:

0.70 %

5 Yr: \$ —

Deferred Load:

0.00 % SEC

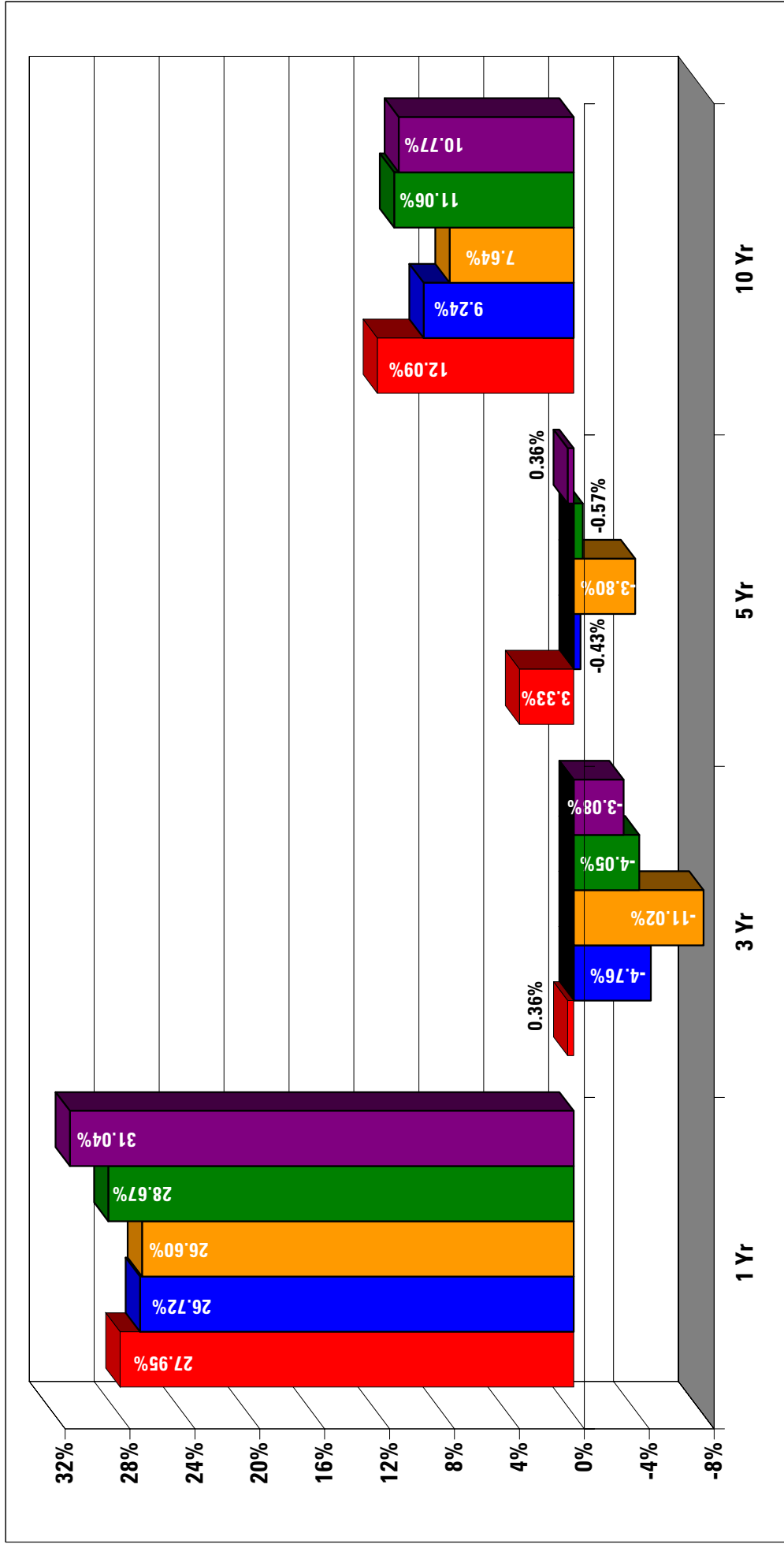
Average Annual Expense Ratio

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# Fidelity Contrafund

December 31, 2003

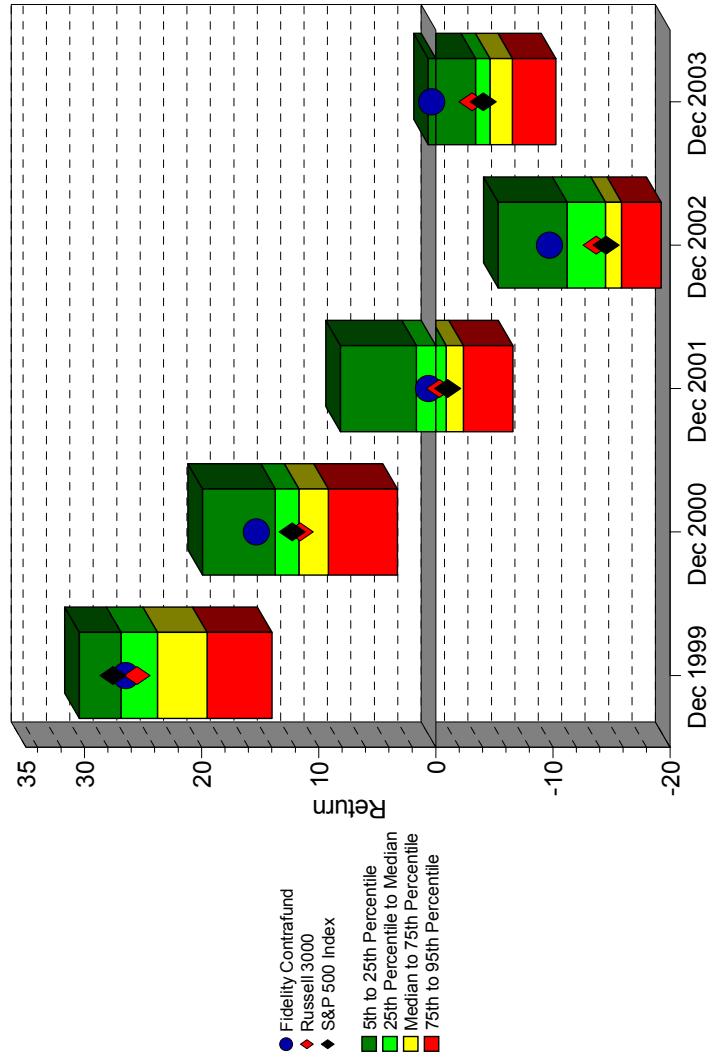


Fund Name	Morningstar Category	Equity Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
<b>Fidelity Contrafund</b>	Large Cap Blend	Large Cap/Growth	27.95%	0.36%	3.33%	12.09%	5	7
<b>Category Average Tot Ret: Large Blend Funds</b>	Large Cap Blend	-	26.72%	-4.76%	-0.43%	9.24%	-	-
<b>Category Average Tot Ret: Lipper Large Growth Funds</b>	-	-	26.60%	-11.02%	-3.80%	7.64%	-	-
<b>Benchmark Index: S&amp;P 500 Index</b>	-	-	28.67%	-4.05%	-0.57%	11.06%	-	-
<b>Benchmark Index: Russell 3000 Index</b>	-	-	31.04%	-3.08%	0.36%	10.77%	-	-

## Fidelity Contrafund

# Manager vs Universe: Return

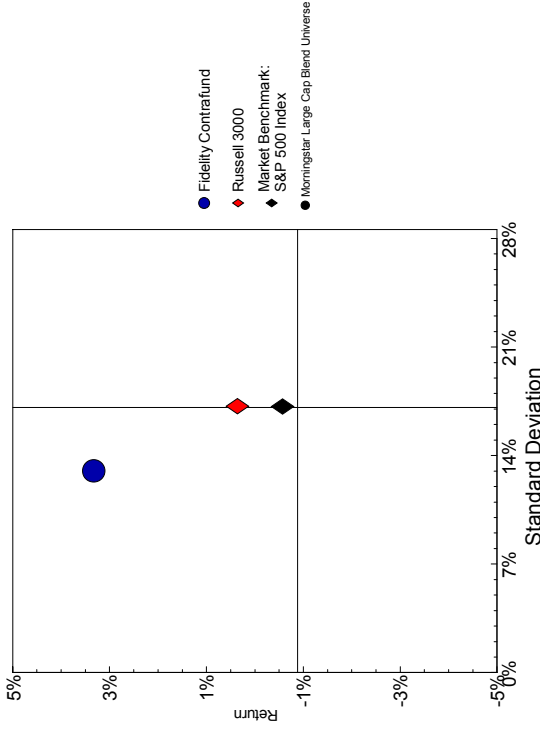
Morningstar Large Cap Blend Universe



## Manager Risk/Return

Single Computation

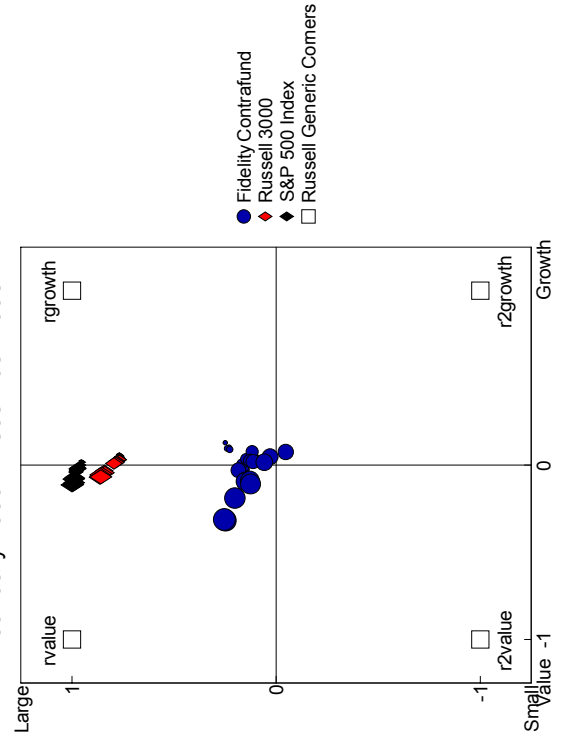
January 1999 - December 2003



## Manager Style

36-Month Moving Windows, Computed Monthly

January 1999 - December 2003



	Dec 1999	Dec 2000	Dec 2001	Dec 2002	Dec 2003
5th Percentile	30.43%	19.91%	8.13%	-5.34%	0.64%
25th Percentile	26.88%	13.70%	1.65%	-11.21%	-3.39%
Median	23.77%	11.69%	-0.89%	-14.50%	-4.62%
75th Percentile	19.52%	9.18%	-2.35%	-15.87%	-6.55%
95th Percentile	13.99%	3.26%	-6.58%	-19.24%	-10.25%
Fidelity Contrafund	26.48%	15.31%	0.62%	-9.71%	0.36%
Russell 3000	25.52%	11.57%	-0.32%	-13.70%	-3.09%
S&P 500 Index	27.56%	12.26%	-1.03%	-14.55%	-4.05%

Morningstar Large Cap Blend Universe

Manager returns supplied by: Morningstar, Inc.

**Fidelity Contrafund**

12-31-2003

**Rating**

★★★★★

**Manager Name**

Danoff, William

**Morningstar Category**

Large Blend

**Risk and Return Profile**

	Rel to Inv Category	Rel to Stock Funds
Risk	—	Low
Return	—	High
Rating	—	★★★★★

**Prospectus Summary**

Fidelity Contrafund seeks capital appreciation.

The fund invests primarily in the common stock of companies believed to be undervalued. The types of companies in which the fund may invest include companies experiencing positive fundamental change such as a new management team or product launch or companies that are undervalued in relation to securities of other companies in the same industry.

**Analysis**

by Christopher J. Traulsen 12-02-03

Fidelity Contrafund's manager does a difficult job well.

We've taken this fund to task in the past for its high turnover rate, as all that trading tends to run up significant costs in a big fund like this. Manager Will Danoff may mitigate those costs by keeping the fund's top holdings relatively steady and focusing his trading on a raft of smaller positions, but it's still a concern.

The bottom line, though, is that Danoff's style is effective. That's largely because he's willing to follow his instincts and use Fidelity's research as he sees fit. Unlike other large funds that hug the S&P 500 Index, Danoff ventures relatively far afield. His sector weights often deviate substantially from the S&P 500's. For instance, the fund held 22% of assets in foreign stocks as of June 30, 2003, and another 32% in mid-caps as of the same date.

Most recently, Danoff has been edging up the fund's exposure to growth companies, lessening the defensive cast the fund had coming into 2003. Thus, the fund's technology stake stood at 12.4% of assets as of Sept. 30, 2003, up from just 2.2% on Sept. 30, 2002. Danoff has also added to other fast-growing names such as Nextel Communications NXTL. Those moves and the fund's significant stake in mid-caps and a smaller swath of gold-mining stocks have helped it power past its typical large-blend peer and the S&P 500 with a 24.6% return for the year to date through Dec. 1, 2003. That's quite a feat considering the fund remains underweight in the technology sector.

Such performance is nothing new. Danoff has proved himself a shrewd consumer of Fidelity's research, putting up top-decile returns across the trailing three-, five-, and 10-year periods. He's now running a new fund, Fidelity Advisor New Insights, but we don't think it should interfere with his duties here. Ideally, this fund would be smaller, but Danoff has kept it in the game. It remains a fine choice as a core holding.

**Manager Profile**

William Danoff. Since 09-90. MBA '86 U. of Pennsylvania MA '86 University of Pennsylvania, Wharton School

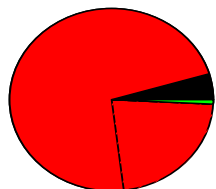
**Investment Approach**

06-30-03

**Composition**

% of assets

06-30-03

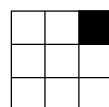


- Cash
- U.S. Stocks
- Non-U.S. Stoc
- Bonds
- Other

5.2  
71.7  
22.1  
0.1  
0.9

**Investment Style**

Equity  
Style  
Value Blend Growth



Size:  
Growth  
Style:  
Large

Fixed-Income  
Maturity  
Short Int Long

High Quality  
Medium  
Low  
Quality:  
Maturity:

**Sector Weightings**

% of stocks

06-30-03

Information Economy	12.4
Software	2.2
Hardware	4.5
Media	3.9
Telecommunication	1.7
Service Economy	53.1
Healthcare	15.7
Consumer Services	14.1
Business Services	7.6
Financial Services	15.7
Manufact. Economy	34.5
Consumer Goods	14.0
Industrial Materials	14.7
Energy	5.2
Utilities	0.7

**Top 10 Securities**

06-30-03

% Net Assets	Total Stocks:	Total Bonds:
5.14	Fidelity Revere Str Tr	0
3.41	Colgate-Palmolive	0
3.24	3M Company	
2.98	Berkshire Hathaway Cl A	
2.73	Avon Products	
2.66	Lockheed Martin	
2.31	EnCana	
1.78	InterActiveCorp	
1.46	Zimmer Holdings	
1.45	Ryanair Holdings PLC ADR	

**Country****Sector**

USA	—
USA	Industrial Goods
USA	Energy
USA	—
USA	Industrial Goods
USA	Energy
CAN	—
USA	Telecommunication
USA	Consumer Services
IRL	—

**International Investments**

06-30-03

**Regional Exposure**

% of stocks

Americas	85.4
Greater Europe	10.9
Greater Asia	3.7

**Top Five Countries**

(out of 0 countries) % of stocks

United States	76.5
United Kingdom	4.8
Canada	4.6
Bermuda	3.0
Ireland	1.9

27 % Net Assets in Top 10 Securities

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**Fidelity Contrafund**

12-31-2003

**EQ Style**

Large/Growth

**FI Style**

-

**Morningstar Category**

Large Blend

**Short-Term Volatility**

3 Mo Rolling Return

Best Rtn 26.68 % 11/1998-01/1999

Worst Rtn -13.18 % 01/2001-03/2001

Out of 132 periods

Num of times Below T-bill

50

Num of times Below Zero

41

**Longer-Term Volatility**

3 Yr Rolling Return (Annualized)

Best Rtn 34.13 % 11/1990-10/1993

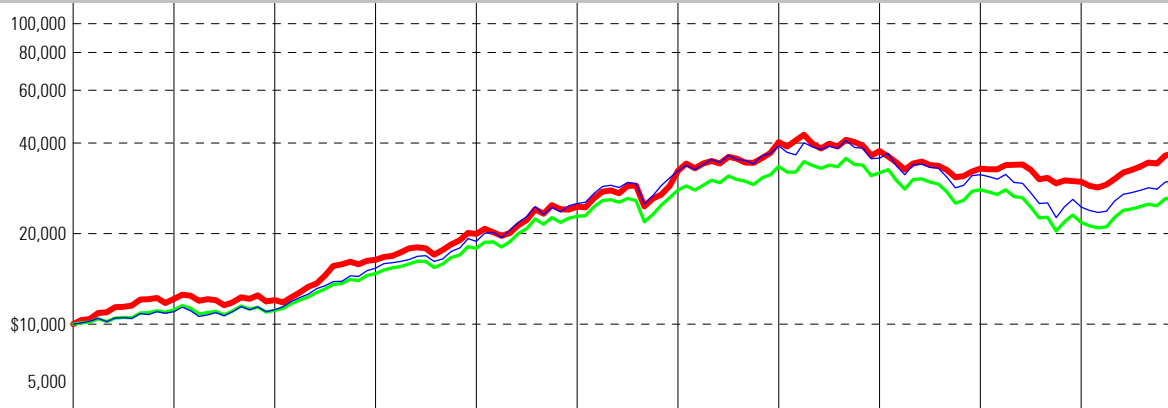
Worst Rtn -11.96 % 04/2000-03/2003

Out of 132 periods

Num of times Below T-bill

28

Num of times Below Zero

**Growth of \$10,000**Fidelity Contrafund  
\$ 38,026Category Average:  
Large Blend  
\$ 27,613Index:  
Standard & Poor's 500  
\$ 31,513**Calendar-Year Performance**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	12-03
Quartile Performance w/ Inv Cate	■	■	■	■	■	■	■	■	■	■	■
Total Return %	21.43	-1.12	36.28	21.94	23.00	31.57	25.03	-6.80	-12.59	-9.63	27.95
+/- Standard & Poor's 500	11.37	-2.43	-1.25	-1.01	-10.35	2.99	3.99	2.30	-0.71	12.46	-0.72
Income \$	0.18	0.00	0.09	0.38	0.35	0.30	0.28	0.24	0.22	0.05	0.04
Capital Gains \$	2.25	0.22	3.13	3.45	4.56	4.22	10.22	6.62	0.00	0.00	0.00
Expense Ratio %	1.06	1.00	0.96	0.79	0.67	0.61	0.62	0.84	0.91	0.99	—
Net Assets (\$mil)	6193.3	8682.4	14831.7	23797.9	30808.5	38821.3	46927.0	40284.8	32320.9	27695.1	36051.4
NAV	30.84	30.28	38.02	42.15	46.63	56.81	60.02	49.18	42.77	38.60	49.35

**Trailing-Time-Period Performance**

12-31-2003

	Inception 05-01-67	YTD	3 Mo	12 Mo	3 Yr Annualized	5 Yr Annualized	10 Yr Annualized	15 Yr Annualized
Quartile Performance w/ Inv Cate	—	■	■	■	■	■	■	■
Total Return %	13.25	27.95	11.34	27.95	0.36	3.33	12.09	16.71
+/- Standard & Poor's 500	—	-0.72	-0.83	-0.72	4.41	3.90	1.03	4.50
Load-Adjusted Return %	13.25	27.95	11.34	27.95	0.36	3.33	12.09	16.71
Load- and Tax-Adjusted Return %	—	—	—	—	—	—	—	—

**Fees and Costs**

12b-1 Fee:

0.00 %

Expense Projection:

3 Yr: \$ 502

Front-End Load:

Yield

12 Month:

0.08 %

Expense Ratio:

0.99 %

5 Yr: \$ 351

Deferred Load:

0.00 % SEC

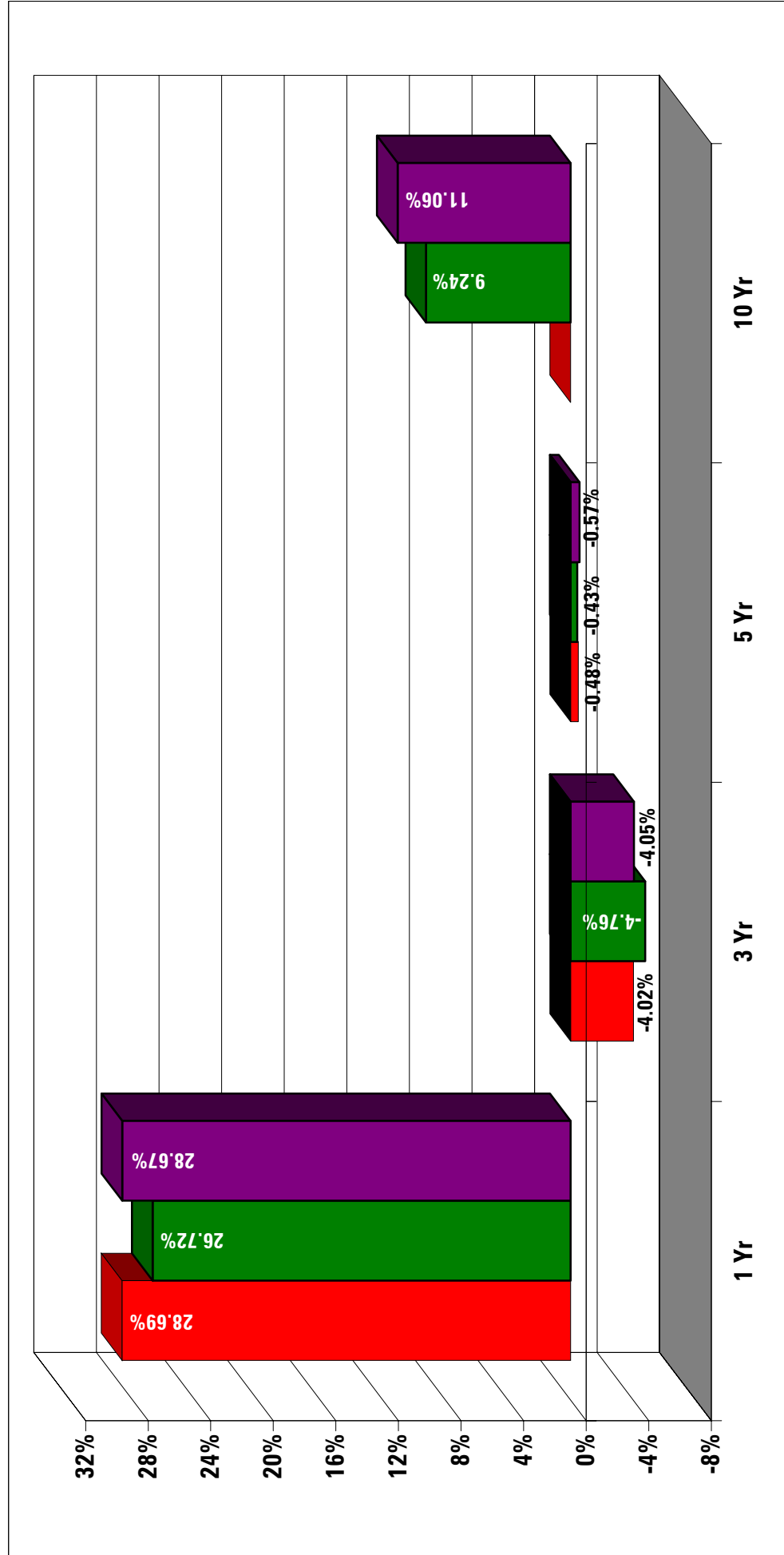
— %

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# Vanguard Institutional Index Fund (Instl Plus Shares)

December 31, 2003

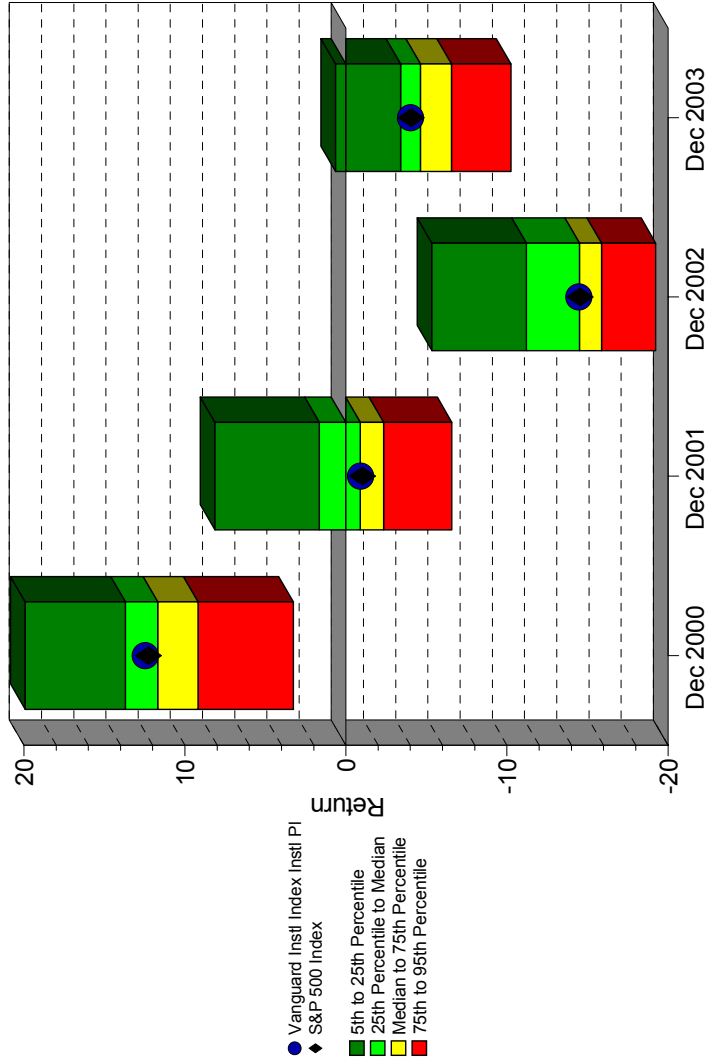


Fund Name		Morningstar Category	Equity Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
Vanguard Institutional Index Fund (Instl Plus Shares)		Large Cap Blend	Large Cap/Blend	28.69%	-4.02%	-0.48%	N/A	3	34
Category Average Tot Ret: Large Blend Funds		Large Cap Blend	-	26.72%	-4.76%	-0.43%	9.24%	-	-
Benchmark Index: S&P 500 Index		-	-	28.67%	-4.05%	-0.57%	11.06%	-	-

# Vanguard Institutional Index Fund (Instl Plus Shares)

## Manager vs Universe: Return

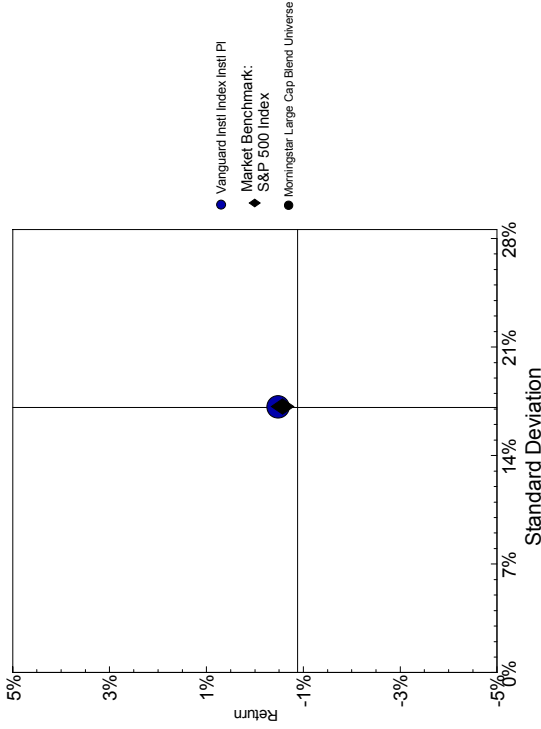
Morningstar Large Cap Blend Universe



## Manager Risk/Return

Single Computation

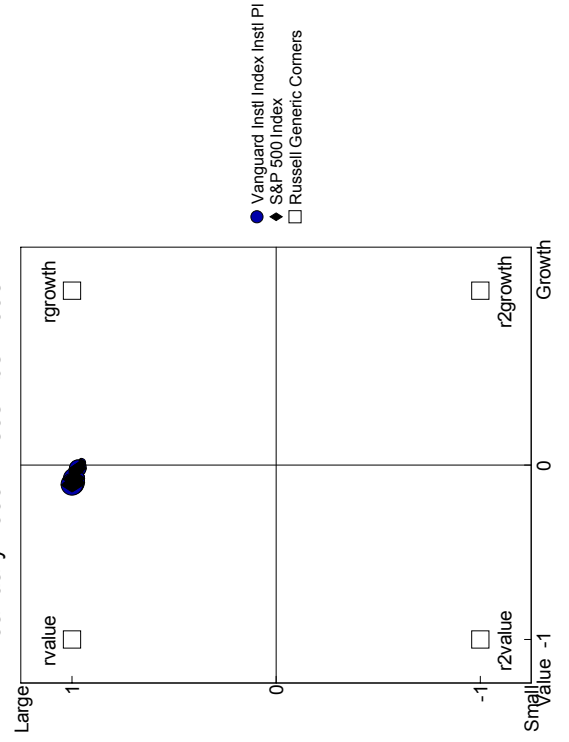
January 1999 - December 2003



## Manager Style

36-Month Moving Windows, Computed Monthly

January 1999 - December 2003



	Dec 2000	Dec 2001	Dec 2002	Dec 2003
5th Percentile	19.91%	8.13%	-5.34%	0.64%
25th Percentile	13.70%	1.65%	-11.21%	-3.39%
Median	11.69%	-0.89%	-14.50%	-4.62%
75th Percentile	9.18%	-2.35%	-15.87%	-6.55%
95th Percentile	3.26%	-6.58%	-19.24%	-10.25%
Vanguard Instl Index Instl PI	12.46%	-0.92%	-14.47%	-4.02%
S&P 500 Index	12.26%	-1.03%	-14.55%	-4.05%

Morningstar Large Cap Blend Universe

Manager returns supplied by: Morningstar, Inc.

**Vanguard Inst Idx InstPI**

12-31-2003

**Rating**

★★★

**Manager Name**

Sauter, George U.

**Morningstar Category**

Large Blend

**Risk and Return Profile**

	Rel to Inv Category	Rel to Stock Funds
Risk	—	Average
Return	—	Average
Rating	—	★★★

**Prospectus Summary**

Vanguard Institutional Index Fund seeks to replicate the aggregate price and yield performance, before fund expenses, of the S&P 500 Index.

The fund invests in all 500 stocks listed in the S&P 500 Index in approximately the same proportions as they are represented in the index. The correlation between the performance of the fund and that of the index is expected to be 0.95 or higher. The fund may invest up to 20% of assets in futures and options for temporary purposes, but generally remains fully invested in common stocks.

**Manager Profile**

George U. Sauter. Since 07-90. MBA '80 U. of Chicago

**Analysis** by Jeffrey Ptak 10-24-03

Are Vanguard Institutional Index Fund's days numbered?

In July 2003, Vanguard filed a registration statement with the SEC seeking approval to launch a new large-cap index offering. If approved, the Vanguard Large-Cap Index Fund is expected to make its debut later this year.

Vanguard's move to launch the new fund is curious in several respects. For one, it joins an already crowded field of large-cap index--or enhanced-index--offerings, including this fund and Vanguard Growth & Income VQNPX. In addition, it doesn't cut a particularly distinct profile. In tracking the MSCI U.S. Prime Market 750 Index--which contains the 750 largest public companies around--the fund will heavily overlap with this fund. Though the MSCI index contains 250 more stocks than the S&P 500, those names account for a scant 5% of assets, meaning that the two indexes are likely to move in near lockstep.

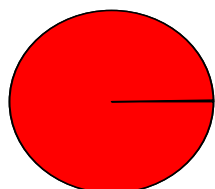
Against that backdrop, the launch of the new fund begs the question of whether Vanguard has plans to eventually phase this fund out in favor of the new offering? We highly doubt it. Vanguard Institutional Index is a powerful franchise that continues to attract investors in droves. Basic logic would dictate that the risk of replacing the fund with an unproven alternative would far outweigh any benefits the firm accrues.

Rather, it's more likely that the main impetus for the new fund is increasing the firm's foothold in the ETF market as Vanguard will simultaneously launch an ETF variant of the new fund. (The move could also be construed as a less-than-subtle dig at S&P that had torpedoed the firm's previous efforts to launch an S&P 500-branded ETF in connection with a licensing dispute.)

In the meantime, investors here can continue to count on the same strengths that have made the fund a winner over the long haul--low costs, wide diversification, and seasoned management. All told, it should remain a solid choice.

**Investment Approach** 09-30-03**Composition**

% of assets 09-30-03



- Cash
- U.S. Stocks
- /// Non-U.S. Stoc
- Bonds
- Other

**Investment Style**

0.4	Equity	Fixed-Income
99.6	Style	Maturity
0.0	Value Blend Growth	Short Int Long
0.0		
0.0		
	Large Size	High Quality
	Medium	Medium
	Small	Low
Size:	Quality:	
Blend	—	
Style:	Maturity:	
Large	—	

**Sector Weightings**

% of stocks 09-30-03

Information Economy	23.4
Software	5.0
Hardware	11.0
Media	4.0
Telecommunication	3.4
Service Economy	47.5
Healthcare	13.6
Consumer Services	9.2
Business Services	3.8
Financial Services	20.8
Manufact. Economy	29.1
Consumer Goods	9.4
Industrial Materials	11.2
Energy	5.8
Utilities	2.8

**Top 10 Securities** 09-30-03

% Net	Total Stocks:	0
Assets	Total Bonds:	0
3.25	Microsoft	
3.23	General Electric	
2.64	Wal-Mart Stores	
2.63	ExxonMobil	
2.56	Pfizer	
2.53	Citigroup	
1.94	Intel	
1.65	IBM	
1.63	American International Group	
1.59	Johnson & Johnson	

Country	Sector
USA	Hardware
USA	Energy
USA	Business Services
USA	Utilities
USA	Consumer Services
USA	Consumer Goods
USA	Media
USA	Media
USA	Consumer Goods
USA	Consumer Services

**International Investments** 09-30-03

Regional Exposure	% of stocks
Americas	100.0
Greater Europe	0.0
Greater Asia	0.0

**Top Five Countries**

(out of 0 countries) % of stocks	
United States	100.0
-	—
-	—
-	—

24 % Net Assets in Top 10 Securities

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**Vanguard Inst Idx InstPI**

12-31-2003

**EQ Style**
 Large/Blend
**FI Style**

-

**Morningstar Category**

Large Blend

**Short-Term Volatility**

3 Mo Rolling Return

Best Rtn 22.16 % 09/1998-11/1998

Worst Rtn -17.17 % 07/2002-09/2002

Out of 75 periods

Num of times Below T-bill 34

Num of times Below Zero 31

**Longer-Term Volatility**

3 Yr Rolling Return (Annualized)

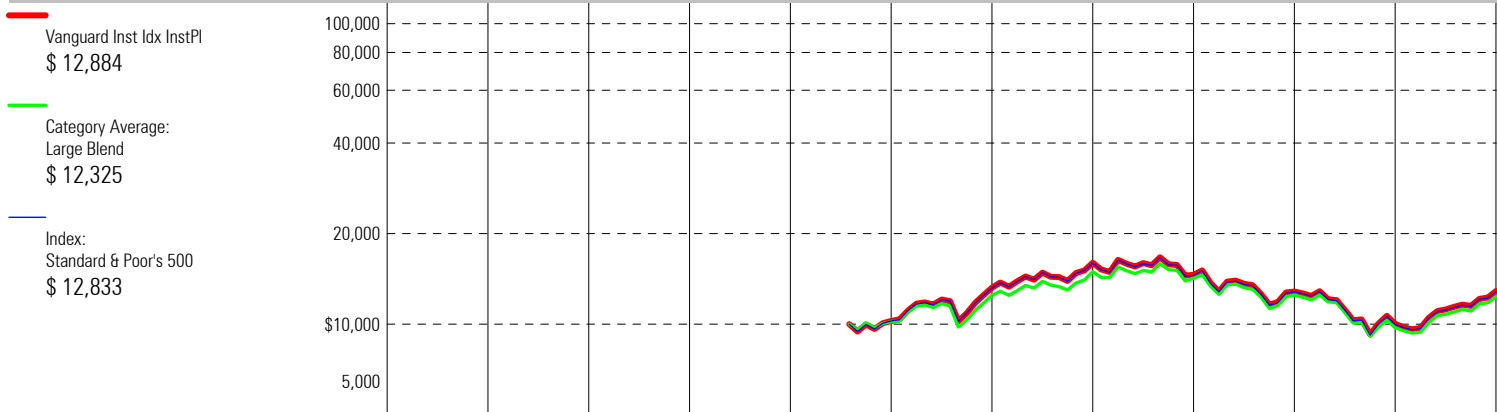
Best Rtn 20.90 % 09/1997-08/2000

Worst Rtn -16.01 % 04/2000-03/2003

Out of 42 periods

Num of times Below T-bill 31

Num of times Below Zero

**Growth of \$10,000****Calendar-Year Performance**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	12-03
Quartile Performance w/i Inv Cate:											
Total Return %						28.83	21.22	-8.92	-11.90	-22.01	28.69
+/- Standard & Poor's 500	—	—	—	—	—	0.25	0.18	0.18	-0.02	0.08	0.02
Income \$						1.45	1.56	1.45	1.41	1.43	1.55
Capital Gains \$						0.90	0.96	0.00	0.00	0.00	0.00
Expense Ratio %						0.03	0.03	0.03	0.02	0.03	—
Net Assets (\$mil)						3488.0	6860.5	10765.0	11348.8	9042.2	8345.1
NAV						112.85	134.02	120.72	104.89	80.45	101.78

**Trailing-Time-Period Performance**

12-31-2003

	Inception 07-01-97	YTD	3 Mo	12 Mo	3 Yr Annualized	5 Yr Annualized	10 Yr Annualized	15 Yr Annualized
Quartile Performance w/i Inv Cate:	—						—	—
Total Return %	4.73	28.69	12.17	28.69	-4.02	-0.48	—	—
+/- Standard & Poor's 500	—	0.02	0.00	0.02	0.03	0.09	—	—
Load-Adjusted Return %	4.73	28.69	12.17	28.69	-4.02	-0.48	—	—
Load- and Tax-Adjusted Return %	—	—	—	—	—	—	—	—

**Fees and Costs**

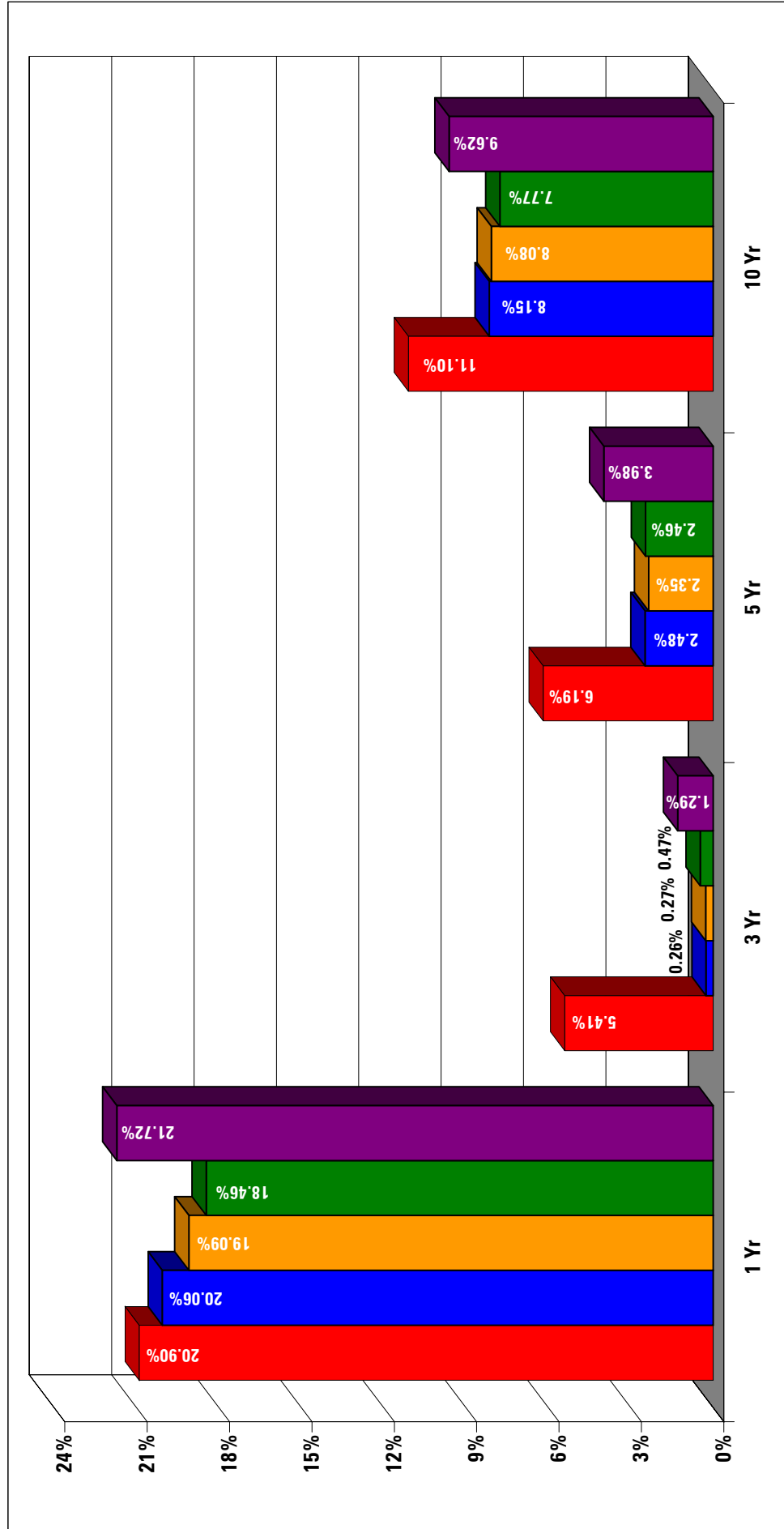
12b-1 Fee:	0.00 %	Expense Projection:	3 Yr: \$ 3	Front-End Load:	0.00 %	12 Month:	1.52 %
Expense Ratio:	0.03 %		5 Yr: \$ 14	Deferred Load:	0.00 %	SEC	1.64 %

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# Vanguard Wellington Fund (Admiral Shares)

December 31, 2003



Fund Name	Morningstar Category	Equity Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
Vanguard Wellington Fund (Admiral Shares) *	Moderate Allocation	Large Cap/Value	20.90%	5.41%	6.19%	11.10%	5	6
Category Average Tot Ret: Moderate Allocation Funds	Moderate Allocation	-	20.06%	0.26%	2.48%	8.15%	-	-
Category Average Tot Ret: Lipper Balanced Funds	-	-	19.09%	0.27%	2.35%	8.08%	-	-
Objective Average Tot Ret: Balanced Funds	-	-	18.46%	0.47%	2.46%	7.77%	-	-
Benchmark Index: 65% S&P 500 Barra Value Index + 35% LB Aggregate Bond Index	-	-	21.72%	1.29%	3.98%	9.62%	-	-

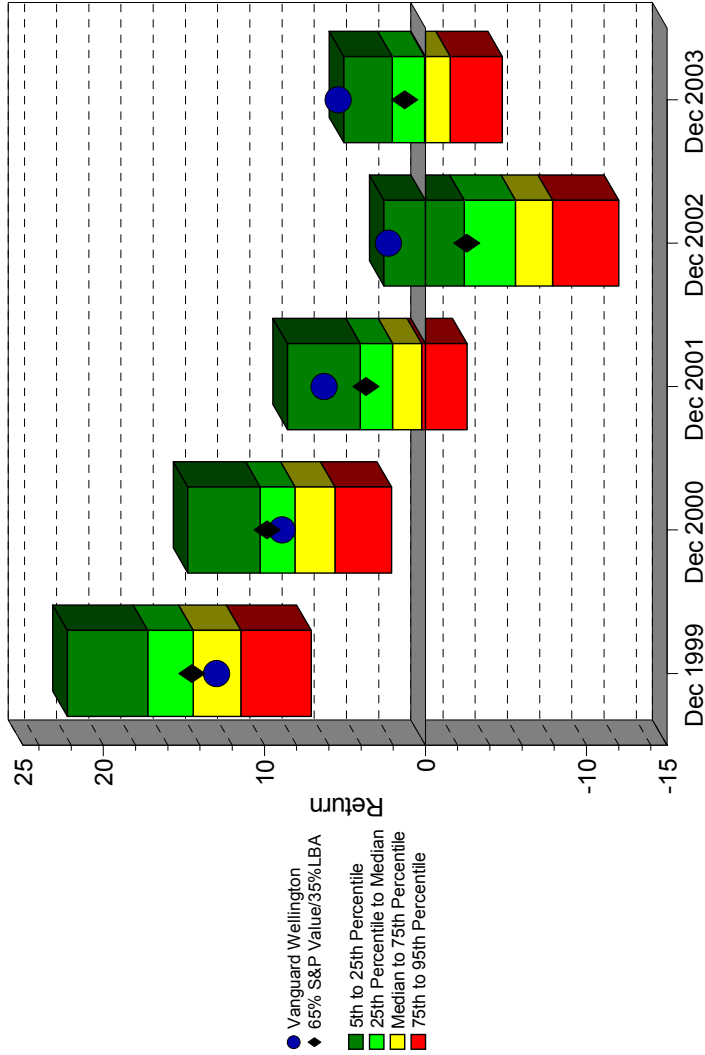
\* Returns used for the Investor Shares prior to the inception of the Admiral Shares on May 14, 2001.

Returns used for Investor Shares prior to inception of Admiral Shares on May 14, 2001.

## Vanguard Wellington Fund (Admiral Shares)

### Manager vs Universe: Return

Morningstar Moderate Allocation Universe



	Dec 1999	Dec 2000	Dec 2001	Dec 2002	Dec 2003
5th Percentile	22.24%	14.75%	8.57%	2.57%	5.06%
25th Percentile	17.25%	10.26%	4.04%	-2.41%	2.06%
Median	14.43%	8.10%	2.04%	-5.60%	0.05%
75th Percentile	11.46%	5.62%	0.23%	-7.89%	-1.54%
95th Percentile	7.09%	2.11%	-2.59%	-12.01%	-4.78%
Vanguard Wellington	12.97%	8.91%	6.29%	2.31%	5.41%
65% S&P Value/35% LBA	14.50%	9.84%	3.69%	-2.57%	1.29%

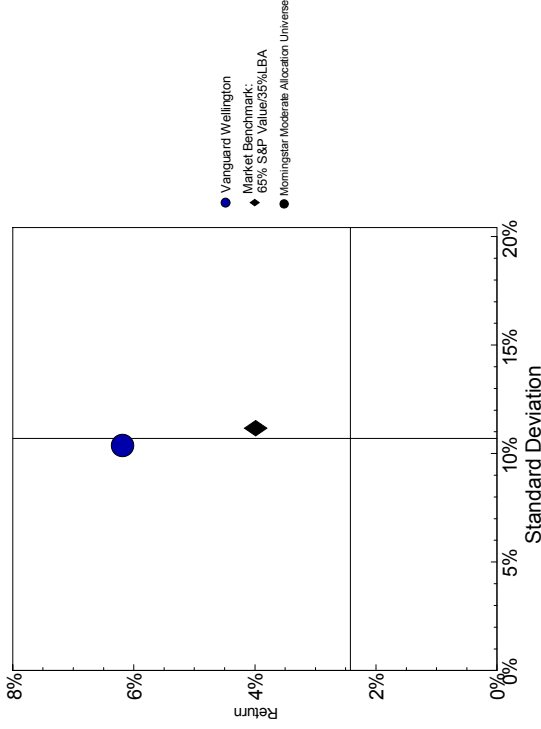
Morningstar Moderate Allocation Universe

Manager returns supplied by: Morningstar, Inc.

### Manager Risk/Return

Single Computation

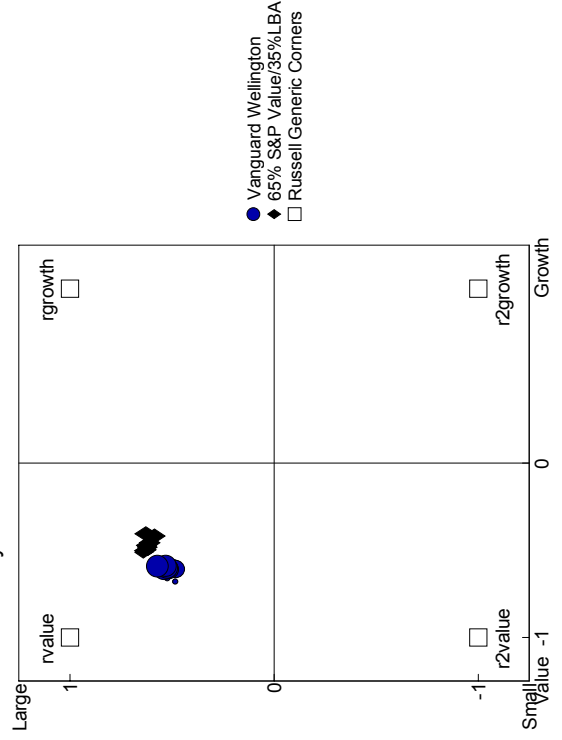
January 1999 - December 2003



### Manager Style

36-Month Moving Windows, Computed Monthly

January 1999 - December 2003



**Vanguard Wellington Adm**

12-31-2003

**Rating**

—

**Manager Name**

Kaplan/Bousa

**Morningstar Category**

Moderate Allocation

**Risk and Return Profile**

	Rel to Inv Category	Rel to Stock Funds
Risk	—	—
Return	—	—
Rating	—	—

**Prospectus Summary**

Vanguard Wellington Fund seeks moderate long-term capital growth and current income.

The fund invests at least 60-70% of assets in dividend-paying value stocks, and to a lesser extent, non-dividend paying common stocks of established, medium-size and large companies. It may also invest 30-40% of assets in the following securities, high quality intermediate, long-term corporate, and U.S. government bonds with an average maturity of 5 to 15 years.

**Analysis**

by William Samuel Rocco 10-28-03

Patient Vanguard Wellington still makes an appealing portfolio anchor.

Modest moves remain the norm here. Edward Bousa, who took charge of the equity portfolio at the end of 2002, shares his predecessor's preference for a measured pace as well as his taste for undervalued large caps with nice yields. Bousa has added to some names on weakness and initiated a few new holdings, including Bank One ONE and BP BP. He thinks the former is quite cheap and poised to turn around, and he believes the latter is fetchingly priced and boasts a promising new Russian partnership. But Bousa hasn't made many other notable moves, so the fund retains its substantial overweights in the industrial-material, energy, and utility sectors as well as most of its long-term holdings.

Bousa also handles the composition here, and he has kept that pretty steady and close to its usual mix of 65% stocks, 30% bonds, and 5% cash. And longtime bond manager Paul Kaplan has remained as patient as ever as he pursues intermediate- to long-term high-quality government and corporate credits.

This measured, value-oriented approach has led to mixed results so far in 2003. The fund's biases toward energy and utility stocks have hurt, but it has benefited from good security selection plus the fact that its equity position is a bit bigger than the group norm. Overall, the fund is up 12.6% for the year to date and in the middle of its category's pack.

The fund has earned a terrific risk/reward profile over time. That success, Kaplan's ongoing presence, and Bousa's sound start here and solid record during his seven-year stint running Putnam Equity Income PEYAX are ample grounds to be confident about this fund. And the fund's low expense ratio gives it an ongoing edge.

We think this fund remains a good choice for investors seeking a conservative core holding.

**Manager Profile**

Edward P. Bousa. Since 12-02. BA Williams C.

Paul D. Kaplan. Since 01-94. BA '68 Dickinson U. MS '74 MIT

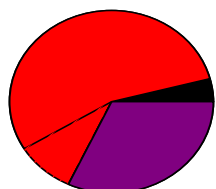
**Investment Approach**

09-30-03

**Composition**

% of assets

09-30-03



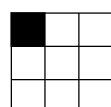
- Cash
- U.S. Stocks
- Non-U.S. Stoc
- Bonds
- Other

4.7  
54.8  
9.2  
31.3  
0.0

**Investment Style**

4.7  
54.8  
9.2  
31.3  
0.0

Equity  
Style  
Value Blend Growth



Size:  
Value  
Style:  
Large

Fixed-Income  
Maturity  
Short Int Long

High Quality  
Medium  
Low  
Quality:  
Maturity:

**Sector Weightings**

% of stocks

09-30-03

	<b>Information Economy</b>	<b>14.7</b>
	Software	1.0
	Hardware	6.2
	Media	2.5
	Telecommunication	5.0
	<b>Service Economy</b>	<b>42.1</b>
	Healthcare	10.5
	Consumer Services	2.9
	Business Services	9.8
	Financial Services	18.9
	<b>Manufact. Economy</b>	<b>43.2</b>
	Consumer Goods	7.7
	Industrial Materials	17.4
	Energy	11.3
	Utilities	6.7

**Top 10 Securities**

09-30-03

% Net Assets	Total Stocks:	0
% Net Assets	Total Bonds:	0
2.19	Citigroup	
1.60	US Treasury Bond	
1.52	IBM	
1.30	EnCana	
1.26	Abbott Laboratories	
1.22	Alcoa	
1.18	Verizon Communications	
1.15	Exelon	
1.15	Union Pacific	
1.08	Bank One	

Country

Sector

USA	Consumer Goods
USA	—
USA	Media
CAN	—
USA	Consumer Services
USA	Energy
USA	Healthcare Services
USA	(
USA	Financial Services
USA	Consumer Goods

**International Investments**

09-30-03

**Regional Exposure**

% of stocks

Americas	91.3
Greater Europe	7.9
Greater Asia	0.8

**Top Five Countries**

(out of 0 countries) % of stocks

United States	85.7
Canada	5.3
United Kingdom	3.0
France	2.3
Netherlands	1.4

14 % Net Assets in Top 10 Securities

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**Vanguard Wellington Adm**

12-31-2003

**EQ Style**
 Large/Value
**FI Style**

-

**Morningstar Category**

Moderate Allocation

**Short-Term Volatility**

3 Mo Rolling Return

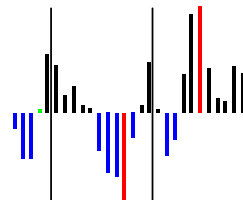
Best Rtn 12.61 % 04/2003-06/2003

Worst Rtn -11.00 % 07/2002-09/2002

Out of 29 periods

Num of times Below T-bill 11

Num of times Below Zero 10

**Longer-Term Volatility**

3 Yr Rolling Return (Annualized)

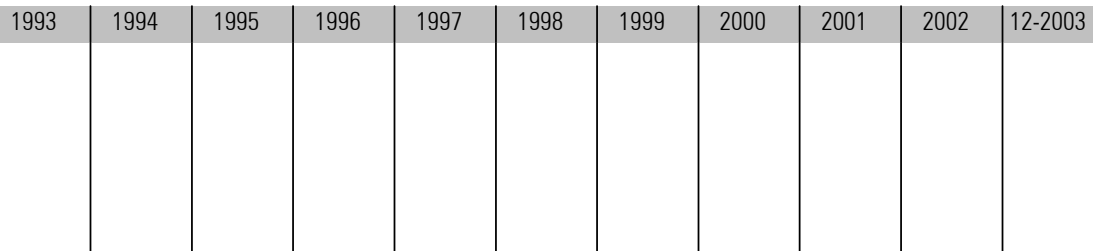
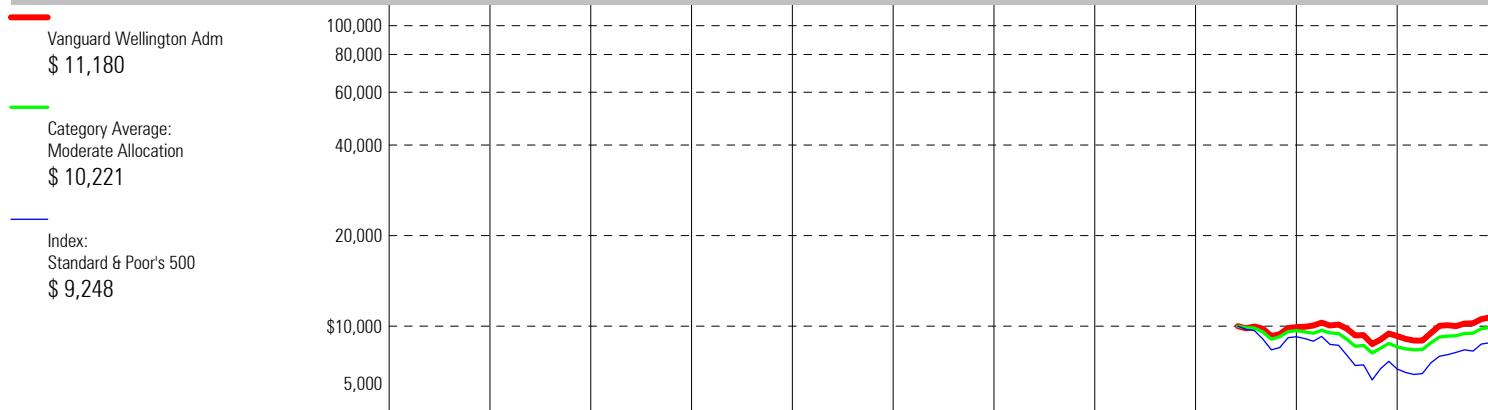
Best Rtn 0.00 % 00/00-00/00

Worst Rtn 0.00 % 00/00-00/00

Out of 0 periods

Num of times Below T-bill 0

Num of times Below Zero

**Growth of \$10,000****Calendar-Year Performance**

Quartile Performance w/i Inv Cate:

Total Return %

+/- Standard &amp; Poor's 500

Income \$

Capital Gains \$

Expense Ratio %

Net Assets (\$mil)

NAV

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	12-03
Quartile Performance w/i Inv Cate:											
Total Return %										-6.81	20.90
+/- Standard & Poor's 500	—	—	—	—	—	—	—	—	—	15.28	-7.77
Income \$										1.50	1.38
Capital Gains \$										0.00	0.00
Expense Ratio %										0.26	—
Net Assets (\$mil)										2569.0	3877.5
NAV										42.42	49.76

**Trailing-Time-Period Performance**

12-31-2003

	Inception 05-01-01	YTD	3 Mo	12 Mo	3 Yr Annualized	5 Yr Annualized	10 Yr Annualized	15 Yr Annualized
Quartile Performance w/i Inv Cate:	—				—	—	—	—
Total Return %	4.93	20.90	9.52	20.90	—	—	—	—
+/- Standard & Poor's 500	—	-7.77	-2.65	-7.77	—	—	—	—
Load-Adjusted Return %	4.93	20.90	9.52	20.90	—	—	—	—
Load- and Tax-Adjusted Return %	—	—	—	—	—	—	—	—

**Fees and Costs**

12b-1 Fee:

0.00 %

Expense Projection:

3 Yr: \$ 30

Front-End Load:

**Yield**

12 Month:

2.77 %

Expense Ratio:

0.26 %

5 Yr: \$ 157

Deferred Load:

0.00 % SEC

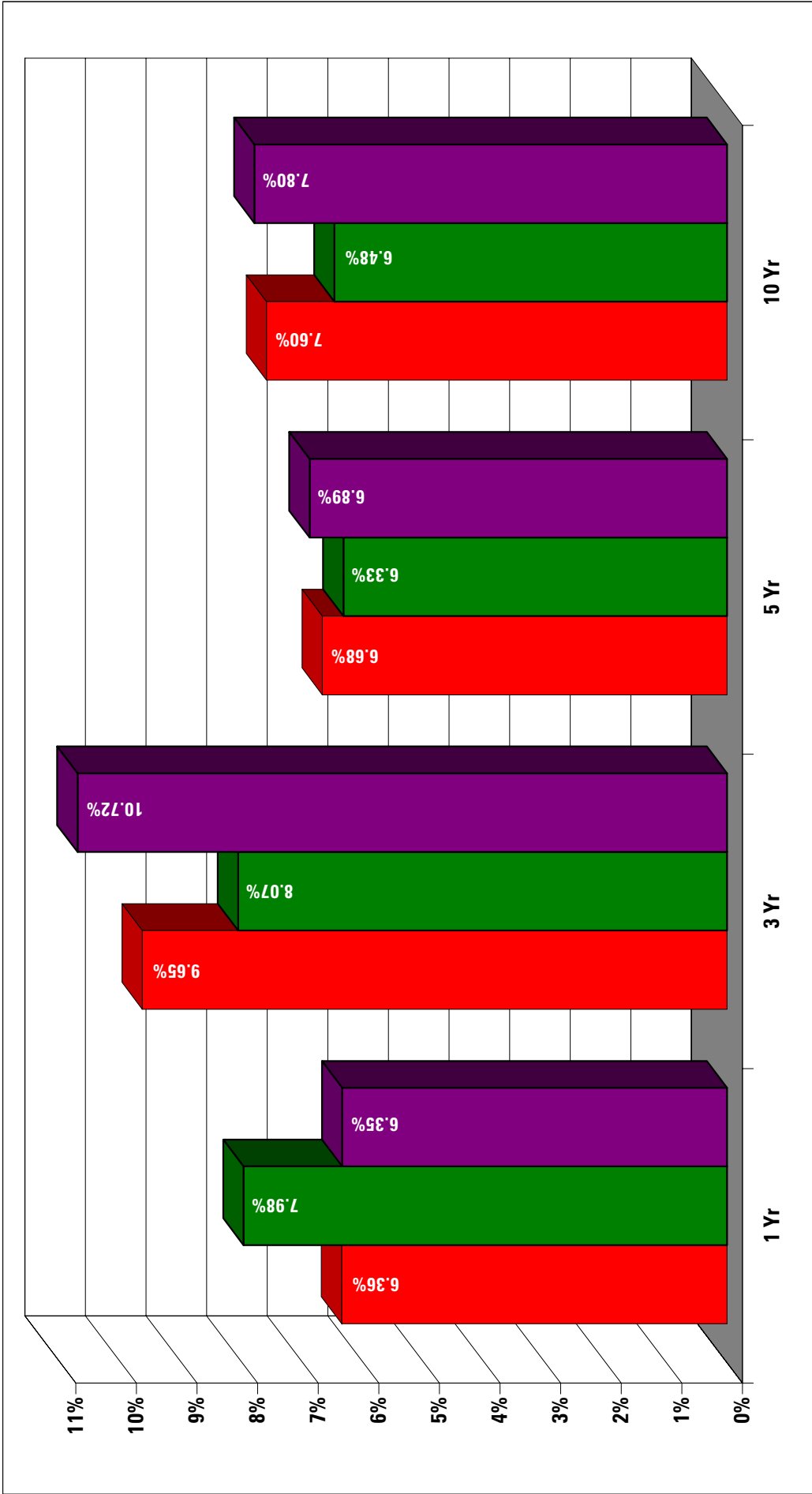
2.51 %

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Vanguard Long-Term Corporate Fund (Admiral Shares)

December 31, 2003



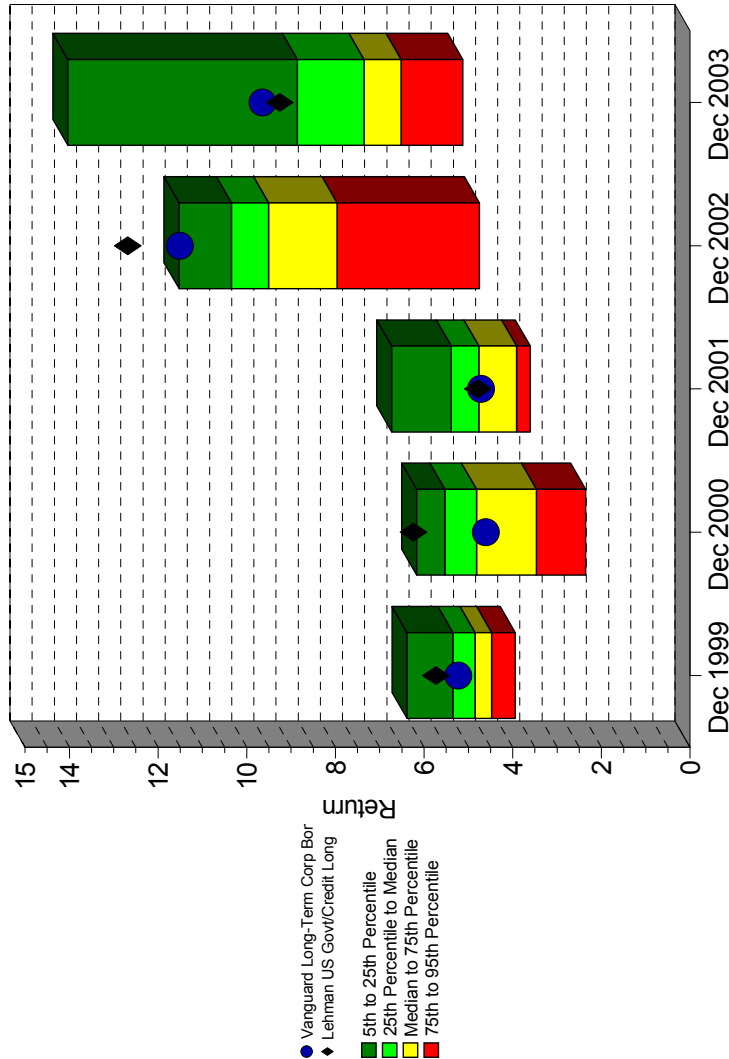
Fund Name	Morningstar Category	Fixed Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
Vanguard Long-Term Corporate Fund (Admiral Shares) *	Long-term Bond	Long/Med Qual	6.36%	9.65%	6.68%	7.60%	4	15
Category Average Tot Ret: Long-term Corp Bond Funds	Long-term Bond	-	7.98%	8.07%	6.33%	6.48%	-	-
Benchmark Index: Lehman Bros Long Credit A or Better Index	-	-	6.35%	10.72%	6.89%	7.80%	-	-

\* Returns used for the Investor Shares prior to the inception of the Admiral Shares on February 12, 2001.

# Vanguard Long-Term Corporate Fund (Admiral Shares)

## Manager vs Universe: Return

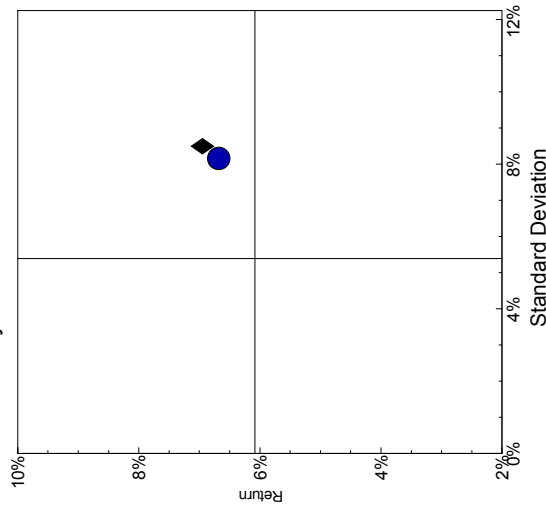
Morningstar Long Term Bond Universe



## Manager Risk/Return

Single Computation

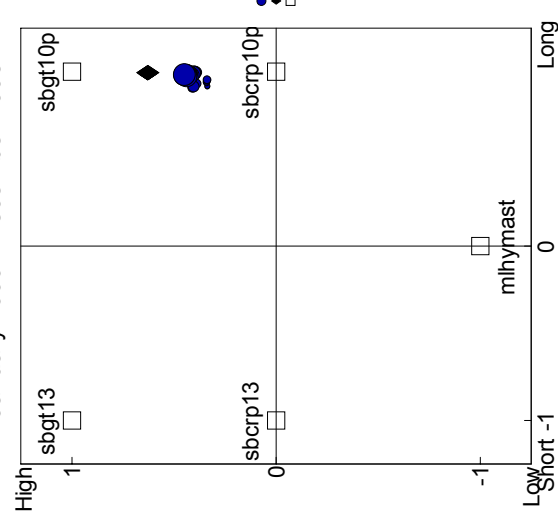
January 1999 - December 2003



## Manager Style

36-Month Moving Windows, Computed Monthly

January 1999 - December 2003



	Dec 1999	Dec 2000	Dec 2001	Dec 2002	Dec 2003
5th Percentile	6.38%	6.16%	6.73%	11.52%	14.03%
25th Percentile	5.35%	5.53%	5.38%	10.34%	8.86%
Median	4.85%	4.82%	4.77%	9.50%	7.35%
75th Percentile	4.48%	3.47%	3.91%	7.96%	6.52%
95th Percentile	3.94%	2.35%	3.60%	4.75%	5.12%
Vanguard Long-Term Corp Bond	5.23%	4.60%	4.72%	11.51%	9.65%
Lehman US Government/Credit Long	5.74%	6.24%	4.79%	12.68%	9.26%

Morningstar Long Term Bond Universe

Manager returns supplied by: Morningstar, Inc.

**Vanguard Lg-Tm Cp Bd Adm**

12-31-2003

**Rating**

—

**Manager Name**

McEvoy, Earl E.

**Morningstar Category**

Long-term Bond

**Risk and Return Profile**

	Rel to Inv Category	Rel to Bond Funds
Risk	—	—
Return	—	—
Rating	—	—

**Prospectus Summary**

Vanguard Long-Term Corporate Bond Fund seeks current income consistent with maintenance of principal and liquidity.

The fund typically invests at least 80% of assets in high-quality corporate bonds; it invests at least 80% of assets in a combination of U.S. government securities and investment-grade corporate bonds. The average weighted maturity generally ranges from 15 to 25 years.

**Manager Profile**

Earl E. McEvoy. Since 03-94. BA '70 Dartmouth C.

**Analysis** by Jeffrey Ptak 11-25-03

Ouch.

This year was shaping up like so many others for Vanguard Long-Term Corporate Bond. Manager Earl McEvoy had guided the fund to a solid 8.6% gain during 2003's first half, handily topping the long-term bond category norm. That showing was in keeping with a trend that has made the group's upper reaches a familiar sight to investors: The fund has logged top-quartile showings in five of the last six calendar years. But then the bottom dropped out in July as the fund skidded to an 8.6% loss. Its 5.5% return for the year through Nov. 24 barely edges its typical rival.

What happened? Long-term interest rates surged when the Fed quashed hopes that it would employ "unconventional" tactics, such as buying back long Treasuries, in an effort to stimulate the economy. The ensuing sell-off caught this fund flush due to its longer-than-average duration (a measure of interest-rate sensitivity). Since McEvoy sets the fund's duration within 20% of the Lehman Long Credit Index, which is longer than the category norm, the fund sports a long profile.

The question for many investors is where to go from here. Conventional wisdom holds that a revived economy augurs well for the credit market, a welcome trend given this fund's narrow charter. But long-term rates remain near their lowest level in a decade, while credit spreads (the incremental yield offered to corporate bond holders) have sharply contracted. The prospect of further pain from rising rates remains very real.

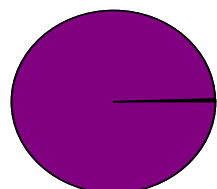
Nevertheless, several factors continue to argue in the fund's favor. For one, the fund's 0.31% expense ratio gives it a perennial head start over pricier rivals and paves the way to juicy income payouts. In addition, McEvoy's deft hand—which has typically gravitated toward sturdy, mid-quality credits—has mostly kept the fund on terra firma. That said, only the risk tolerant need apply for what could be a wild and woolly ride.

**Investment Approach**

09-30-03

**Composition**

% of assets 09-30-03



- Cash
- U.S. Stocks
- Non-U.S. Stoc
- Bonds
- Other

**Investment Style**

0.8	Equity	Fixed-Income
0.0	Style	Maturity
0.0	Value Blend Growth	Short Int Long
99.2	—	—
0.0	—	—
	Large Size	High Quality
	Medium	Medium
	Small	Low
Size:	—	Quality:
Style:	—	Medium
	—	Maturity:
	—	Long

**Sector Weightings**

% of stocks -

Information Economy	
Software	
Hardware	
Media	
Telecommunication	
Service Economy	
Healthcare	
Consumer Services	
Business Services	
Financial Services	
Manufact. Economy	
Consumer Goods	
Industrial Materials	
Energy	
Utilities	

**Top 10 Securities**

09-30-03

% Net Assets	Total Stocks:	Country	Sector
	0		
1.38	Natl Rural Utilities Cooperative Fin	USA	—
1.36	Us Bk Natl Assn Minneapolis Minnesota	USA	—
1.35	Eli Lilly	USA	—
1.35	Kellogg	USA	—
1.31	Hartford Life	USA	—
1.28	IBM 7%	USA	—
1.26	Wal-Mart Stores	USA	—
1.25	South Carolina Elec & Gas	USA	—
1.25	Intl Bk For Recon&Dev 7.625%	—	—
1.25	Hydro-Quebec 9.4%	CAN	—

13 % Net Assets in Top 10 Securities

**International Investments**

-

**Regional Exposure**

% of stocks

Americas  
Greater Europe  
Greater Asia

**Top Five Countries**

(out of 0 countries) % of stocks

-

-

-

-

**Vanguard Lg-Tm Cp Bd Adm****EQ Style****FI Style****Morningstar Category**

12-31-2003

-

Medium/Low

Long-term Bond

**Short-Term Volatility**

3 Mo Rolling Return

Best Rtn 7.98 % 07/2002-09/2002

Worst Rt. -8.04 % 06/2003-08/2003

Out of 32 periods

Num of times Below T-bill

9

Num of times Below Zero

8

**Longer-Term Volatility**

3 Yr Rolling Return (Annualized)

Best Rtn 0.00 % 00/00-00/00

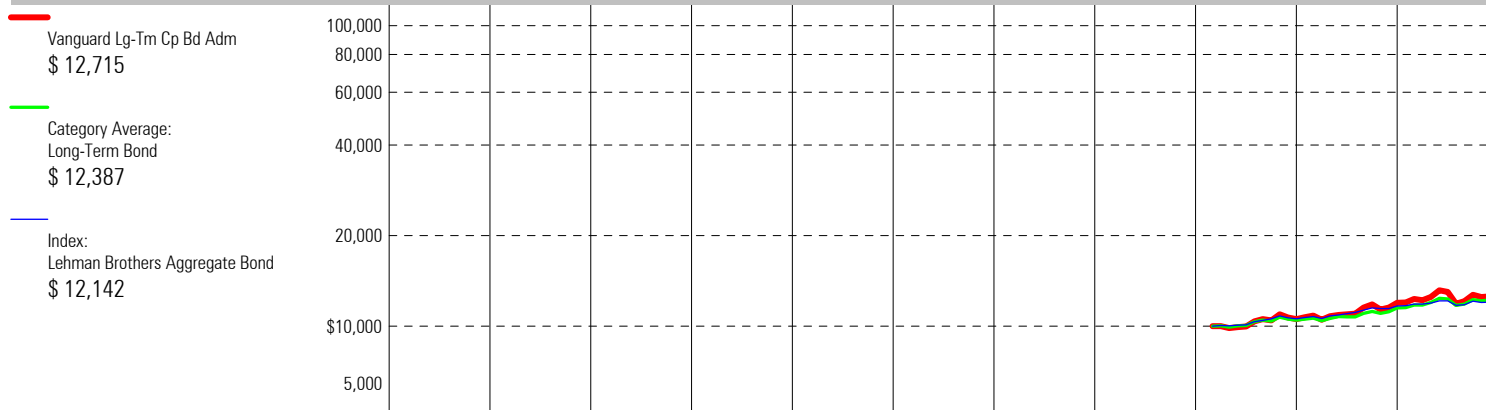
Worst Rt 0.00 % 00/00-00/00

Out of 0 periods

Num of times Below T-bill

0

Num of times Below Zero

**Growth of \$10,000****Calendar-Year Performance**

Quartile Performance w/i Inv Cate

Total Return %

+/- Lehman Brothers Aggregate B

Income \$

Capital Gains \$

Expense Ratio %

Net Assets (\$mil)

NAV

1993

1994

1995

1996

1997

1998

1999

2000

2001

2002

12-03

■

13.32

3.05

0.56

0.00

0.24

426.7

9.23

■

6.36

2.25

0.54

0.00

0.23

666.5

9.27

**Trailing-Time-Period Performance****12-31-2003**

	Inception 02-01-01	YTD	3 Mo	12 Mo	3 Yr Annualized	5 Yr Annualized	10 Yr Annualized	15 Yr Annualized
Quartile Performance w/i Inv Cate	—	■	■	■	—	—	—	—
Total Return %	9.20	6.36	0.06	6.36	—	—	—	—
+/- Lehman Brothers Aggregate B	—	2.25	-0.26	2.25	—	—	—	—
Load-Adjusted Return %	9.20	6.36	0.06	6.36	—	—	—	—
Load- and Tax-Adjusted Return %	—	—	—	—	—	—	—	—

**Fees and Costs**

12b-1 Fee:

0.00 %

Expense Projection:

3 Yr: \$ 77

Front-End Load:

**Yield**

12 Month:

5.77 %

Expense Ratio:

0.23 %

5 Yr: \$ 135

Deferred Load:

0.00 % SEC

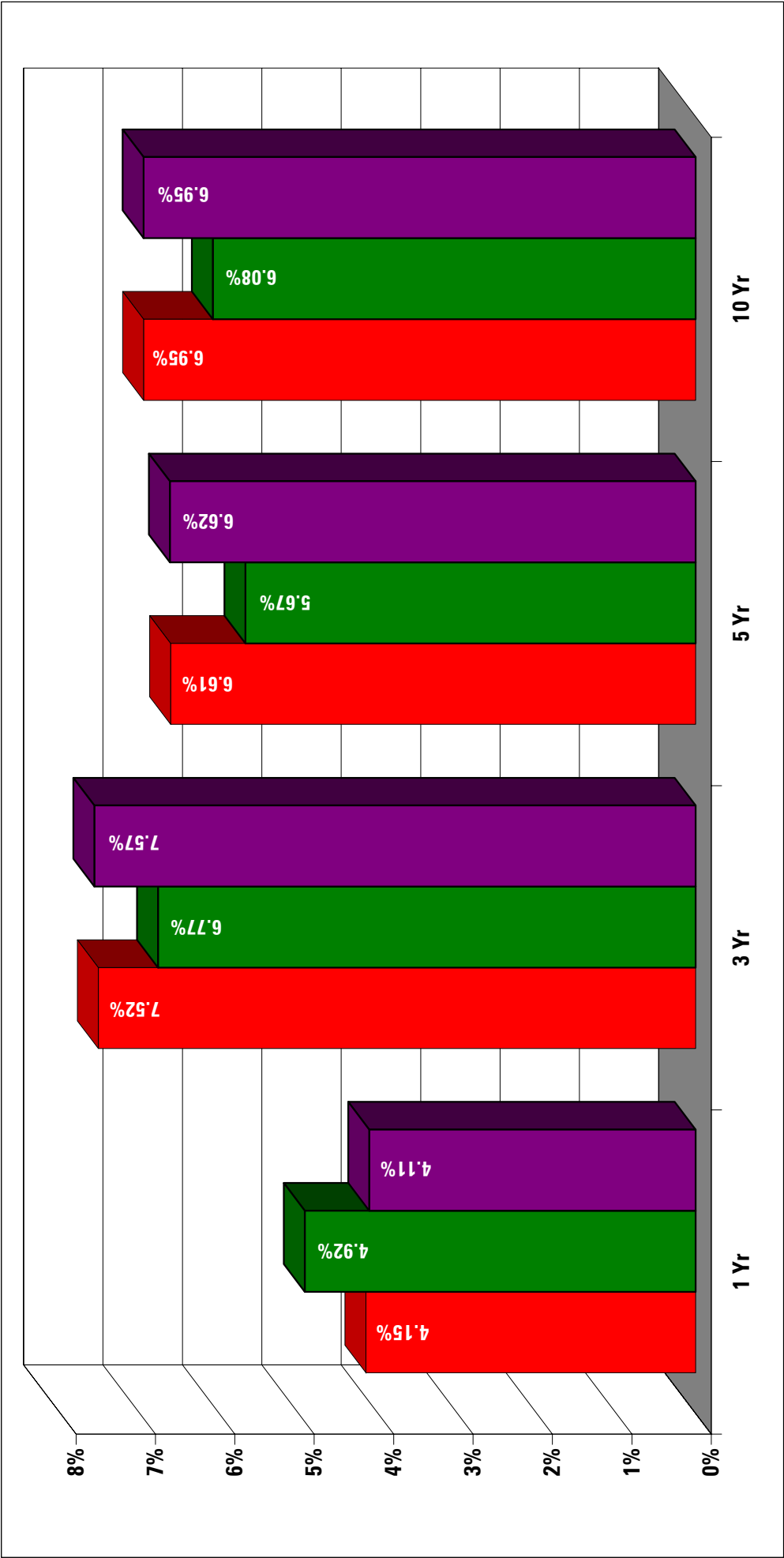
5.63 %

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MORNINGSTAR®

# U.S. Debt Index Fund

December 31, 2003

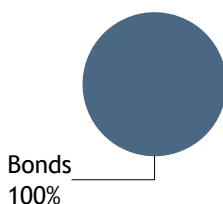


Fund Name	Morningstar Category	Fixed Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
U.S. Debt Index Fund	Intermediate-Term Bond	-	4.15%	7.52%	6.61%	6.95%	-	-
Category Average Tot Ret: Interim-Term Bond Funds	Intermediate-Term Bond	-	4.92%	6.77%	5.67%	6.08%	-	-
Benchmark Index: LB Aggregate Bond Index	-	-	4.11%	7.57%	6.62%	6.95%	-	-

## US Debt Index Fund

### What the fund invests in:

This is an index fund that seeks to match the performance of the Lehman Brothers Aggregate Bond Index by investing in a diversified sample of the bonds that make up the index. The index is the broadest measure of the US investment-grade bond market and is comprised of US Treasury and federal agency bonds, corporate bonds, residential and commercial mortgage-backed securities and asset-backed securities.



### Performance Returns (%)

	FUND	BENCHMARK <sup>1</sup>
Fourth Quarter	0.32	0.32
Year to Date	4.15	4.10
One Year	4.15	4.10
Three Year*	7.52	7.57
Five Year*	6.61	6.62
Ten Year*	6.95	6.95

\*Average annualized return

<sup>1</sup>Source - Lehman Aggregate Index

### Why invest in bonds?

Bond investments are an important part of a well-planned investment strategy. Called fixed income securities because they make specified payments on a regular basis, bonds can act as a moderating force in an investment portfolio by sheltering investors from fluctuations in other assets such as stocks.

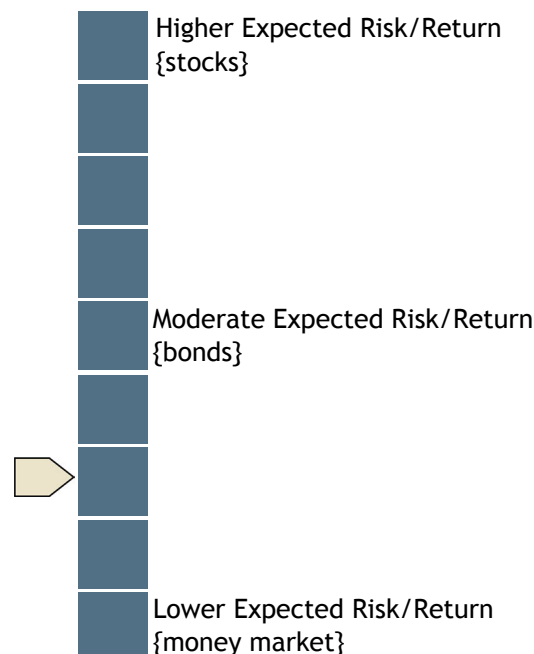
### Who should consider investing in this fund?

This fund is intended for intermediate-term investors seeking moderate returns by investing in a diversified portfolio of high-quality fixed income securities. As with any security, an investment in bonds is subject to risk.

### Holdings (%)

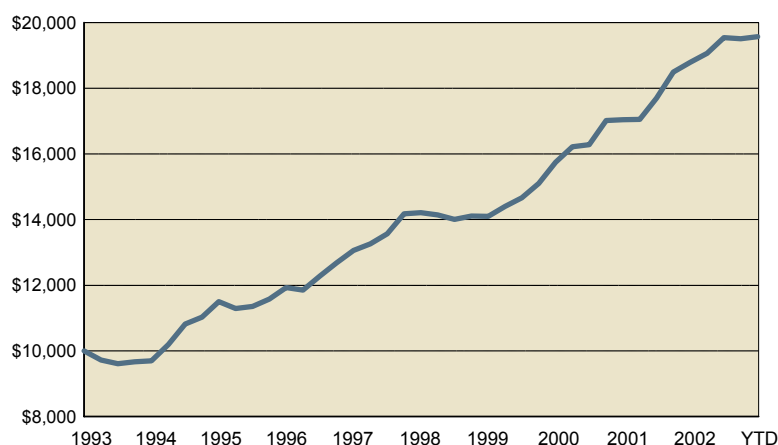
Mortgage-Backeds	35.67
US Treasuries	22.21
Industrial	12.33
US Agencies	11.60
Finance	7.76
Non-US Credit	3.93
Commercial Mortgage-Backeds	2.65
Utility	1.96
Asset-Backeds	1.64

### Risk/Return Potential



*This chart is for illustrative purposes only and does not predict future risk or performance.*

## Growth of \$10,000



*This graph represents the growth of a hypothetical investment of \$10,000. It assumes reinvestment of all income, and does not take into consideration any management fees. Past performance is no guarantee of future results.*

## Performance Notes

All values are unaudited and subject to revision. All income is reinvested in the fund. The fund's inception is 2/1/01. Fund returns since inception are reported net of management fees and certain transaction costs and expenses charged to the fund. Returns prior to inception are those of a fund with similar investment strategy and are calculated gross of investment management fees. The Lehman Brothers Aggregate Index returns do not reflect any management fees, transaction costs or other expenses. Past performance does not guarantee future results. Any returns shown as less than one year are cumulative returns.

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## Additional Information

Avg Coupon	5.43%
Avg Yield	4.92%
Wtd Avg Life	6.47 Yrs
Avg Duration	4.42 Yrs

## Quality Breakdown (%)

AAA+	69.15
AAA	6.05
AA	4.71
A	9.86
BBB	9.04

## Fees and Expenses

Total management fees and other expenses charged to the fund were approximately 0.05% of the fund's estimated average assets.

## Fund Manager

Barclays Global Investors, N.A. is the Fund's manager and trustee. Barclays Global Investors is headquartered in San Francisco, CA, and is owned by Barclays Bank PLC, one of the UK's largest companies. Barclays Global Investors employs more than 2,000 people around the world, and manages assets for many of the world's leading institutional investors. Barclays Global Investors uses a team approach in managing investment portfolios. For more information about BGI, please go to [www.barclaysglobal.com](http://www.barclaysglobal.com).

## Disclaimers

The fund is NOT FDIC insured, is NOT an obligation or deposit of, or guaranteed by, Barclays Global Investors or its affiliates and involves investment risk, including possible loss of principal.

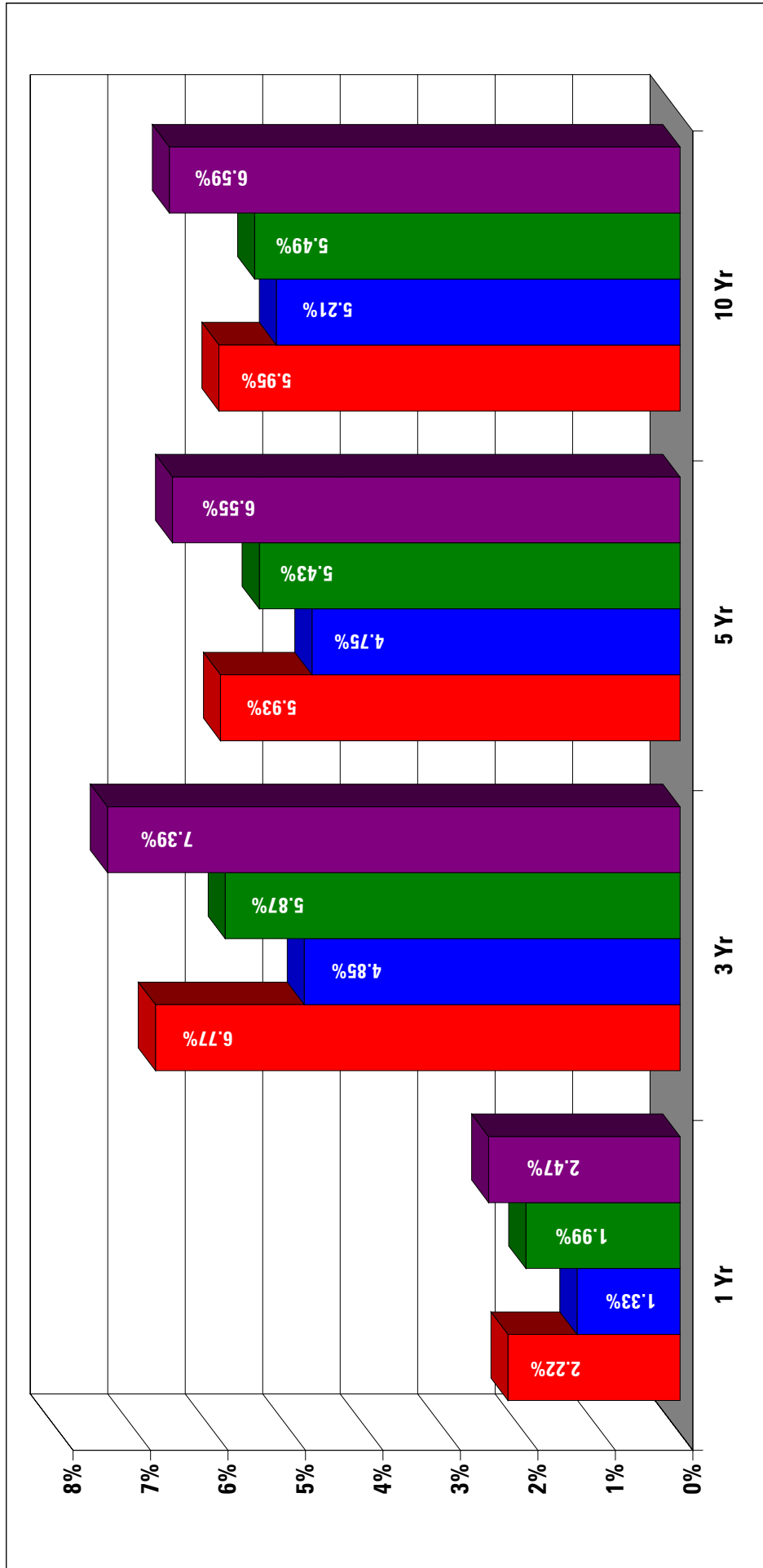
The fund is a collective investment fund and is privately offered. Prospectuses are not required and prices are not available in local publications. To obtain pricing information, please contact your service representative.

[www.barclaysglobal.com](http://www.barclaysglobal.com)



# Federated U.S. Government Securities Fund: 2-5 Year (Instl Class)

December 31, 2003

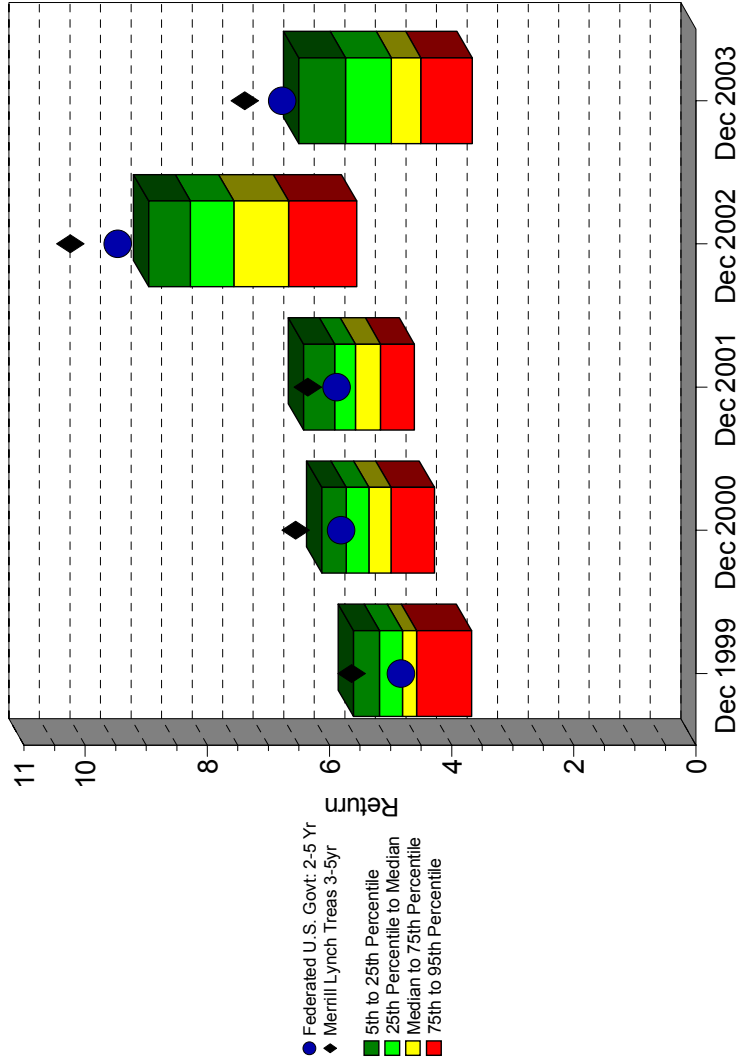


Fund Name	Morningstar Category	Fixed Style Box	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr	Mstar Rating 3 Yr	% Rank Category 3 Yr
Federated US Govt Securities Fund: 2-5 Yr (Instl Shares)	Short-Term Government	Short/High Q	2.22%	6.77%	5.93%	5.95%	5	3
Peer Group Average Tot Ret: ST Govt Treasury 2-5 Yr Funds	-	-	1.33%	4.85%	4.75%	5.21%	-	-
Category Average Tot Ret: Lipper Short-Intermediate US Govt Funds	-	-	1.99%	5.87%	5.43%	5.49%	-	-
Benchmark Index: Merrill Lynch 3-5 Year Treasury Index	-	-	2.47%	7.39%	6.55%	6.59%	-	-

# Federated U.S. Government Securities Fund: 2-5 Year (Instl Class)

## Manager vs Universe: Return

Morningstar Short Term Govt Bond Universe



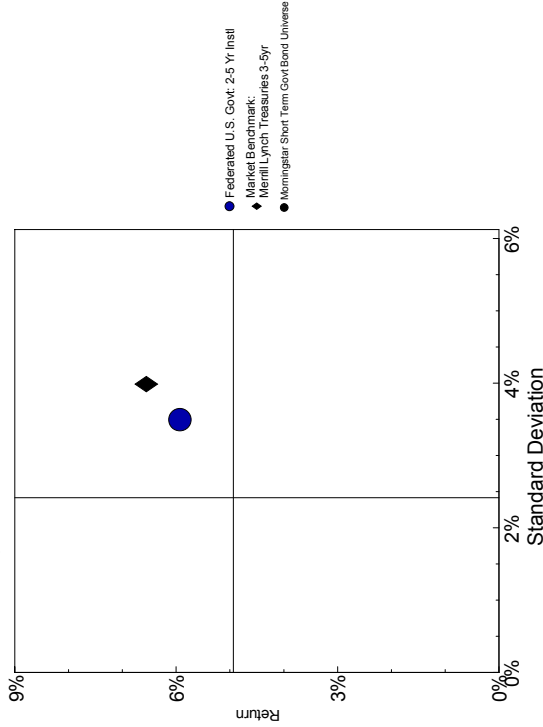
	Dec 1999	Dec 2000	Dec 2001	Dec 2002	Dec 2003
5th Percentile	5.61%	6.12%	6.42%	8.96%	6.50%
25th Percentile	5.18%	5.73%	5.92%	8.28%	5.74%
Median	4.81%	5.36%	5.58%	7.57%	4.99%
75th Percentile	4.57%	4.99%	5.17%	6.67%	4.51%
95th Percentile	3.68%	4.28%	4.61%	5.56%	3.67%
Federated U.S. Govt: 2-5 Yr Instl	4.83%	5.81%	5.89%	9.47%	6.77%
Merrill Lynch Treasuries 3-5yr	5.64%	6.55%	6.35%	10.24%	7.39%

Morningstar Short Term Govt Bond Universe  
 Manager returns supplied by: Morningstar, Inc.

## Manager Risk/Return

Single Computation

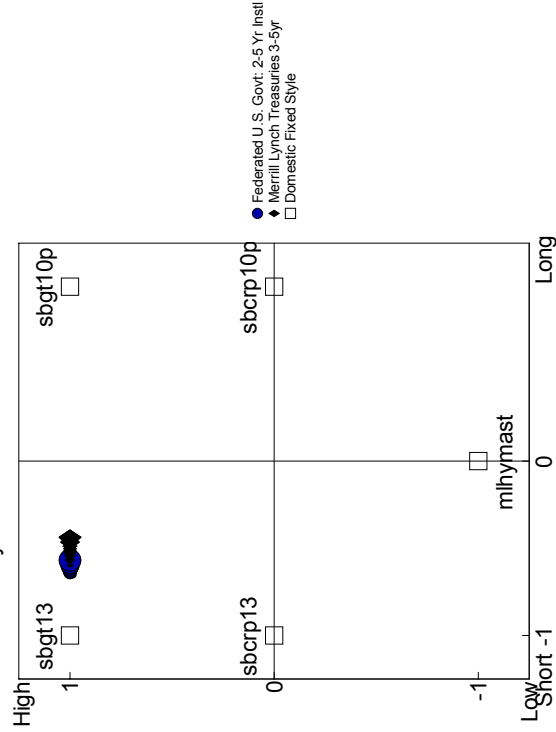
January 1999 - December 2003



## Manager Style

36-Month Moving Windows, Computed Monthly

January 1999 - December 2003



**Federated US 2-5 Instl**

12-31-2003

**Rating**

★★★★★

**Manager Name**

Nason/Ostrowski

**Morningstar Category**

Short Government

**Risk and Return Profile**

	Rel to Inv Category	Rel to Bond Funds
Risk	—	High
Return	—	High
Rating	—	★★★★★

**Prospectus Summary**

Federated U.S. Government Securities: 2-5 Year Trust seeks current income.

The fund invests only in U.S. government securities with a dollar weighted average duration between two and five years. The fund may enter into repurchase agreements.

**Analysis**

by Bradley Sweeney 07-07-03

It may be more vulnerable than most of its peers to rising rates, but this offering is a long-term winner. Federated U.S. Government: 2-5 Year Trust has found this year's bond market to its liking. Fearing that the bond-market rally may be getting a little long in the tooth, managers Susan Nason and Bob Ostrowski have kept this offering's duration (a measure of interest-rate risk) shorter than the fund's benchmark, the Merrill Lynch 3-5 Year Treasury Index, so far this year. But because its bogy is longer than the average short-term government fund's, this offering still had a longer duration than its average rival, and consequently, benefited more as rates trended lower during the first half of 2003. And because the fund avoids mortgage-backed bonds, it hasn't been hit by the wave of homeowner refinancings that have weighed on the returns of some peers. As a result, the fund has beaten 94% of its peers for the year to date through July 3, 2003.

The fund's stellar longer-term results owe much to its above-average interest-rate sensitivity. With rates generally falling over the last three years, this offering has beaten out all but one of its short-term government rivals, returning 9.1% on an annualized basis over the three years ended July 3. Of course, the fund's longer-than average duration has also resulted in above-average volatility: The fund was its category's third most volatile member, as measured by its standard deviation of returns, over the three years ended May 2003.

And the fund's above-average interest-rate risk has stung when rates have headed higher. That was certainly the case when rates rose in 1999, for example; the fund registered a small loss and finished behind 89% of its rivals that year.

This offering is likely to struggle relative to its peers if the economic recovery takes hold and interest rates head north, but we still think its strong record, long-tenured management, and reasonable expenses make it a compelling option for the long-term investor.

**Manager Profile**

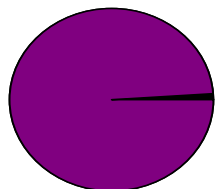
Susan M. Nason. Since 09-91. BA '83 U. of Maine-Orono  
Robert J. Ostrowski. Since 09-97. MS '87 Carnegie Mellon U. BS '85 Westminster C.

**Investment Approach**

09-30-03

**Composition**

% of assets 09-30-03



- Cash
- U.S. Stocks
- Non-U.S. Stoc
- Bonds
- Other

**Investment Style**

1.2	Equity
0.0	Style
0.0	Value Blend Growth
98.8	—
0.0	—
	Large Size
	Medium
	Small

Size:

—

Style:

—

Fixed-Income

Maturity

Short Int Long


Quality:

High

Maturity:

Short

**Sector Weightings**

% of stocks -

- Information Economy
- Software
- Hardware
- Media
- Telecommunication
- Service Economy
- Healthcare
- Consumer Services
- Business Services
- Financial Services
- Manufact. Economy
- Consumer Goods
- Industrial Materials
- Energy
- Utilities

**Top 10 Securities**

09-30-03

% Net Assets	Total Stocks:	0
% Net Assets	Total Bonds:	0
5.55	US Treasury Note 3.25%	
5.50	US Treasury Bond	
5.15	US Treasury Bond	
5.13	US Treasury Note 4.75%	
5.11	US Treasury Note 6.5%	
5.01	US Treasury Note 5.75%	
4.81	US Treasury Note 3%	
4.49	US Treasury Note 4.625%	
4.48	US Treasury Bond	
4.47	US Treasury Bond	

Country

Sector

USA	—
USA	—
USA	—
USA	—
USA	—
USA	—
USA	—
USA	—
USA	—
USA	—

**International Investments**

-

**Regional Exposure**

% of stocks

Americas  
Greater Europe  
Greater Asia

**Top Five Countries**

(out of 0 countries) % of stocks

-

-

-

-

50 % Net Assets in Top 10 Securities

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MORNINGSTAR®

**Federated US 2-5 Instl****EQ Style****FI Style****Morningstar Category**

12-31-2003

-

High/Short

Short Government

**Short-Term Volatility**

3 Mo Rolling Return

Best Rtn 5.07 % 07/2001-09/2001

Worst Rtn -3.08 % 02/1994-04/1994

Out of 132 periods

Num of times Below T-bill 52

Num of times Below Zero 29

**Longer-Term Volatility**

3 Yr Rolling Return (Annualized)

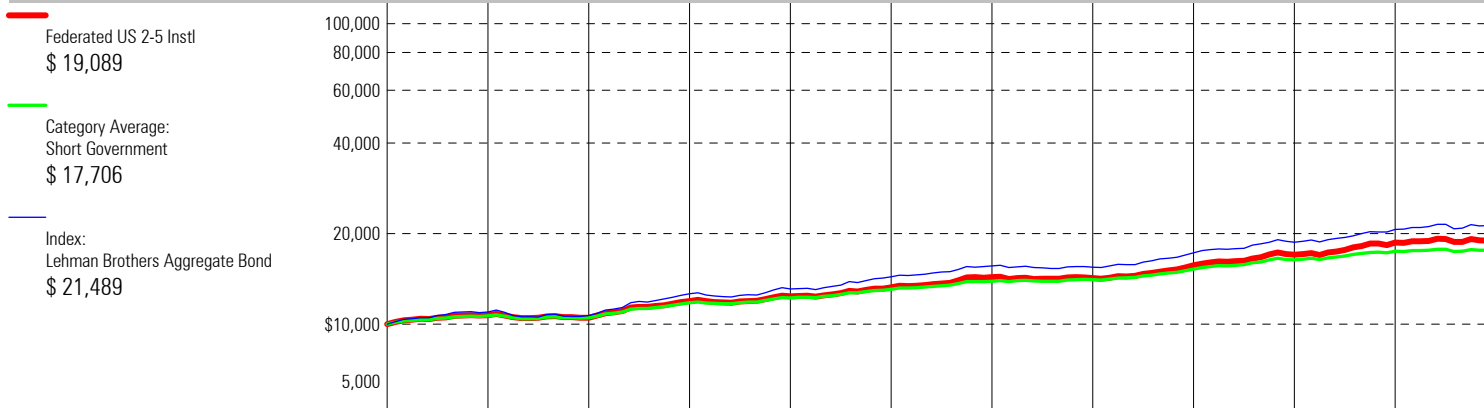
Best Rtn 11.57 % 05/1990-04/1993

Worst Rtn 3.86 % 01/1992-12/1994

Out of 132 periods

Num of times Below T-bill 21

Num of times Below Zero

**Growth of \$10,000****Calendar-Year Performance**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	12-03
Quartile Performance w/ Inv Cate	■	■	■	■	■	■	■	■	■	■	■
Total Return %	7.10	-1.92	13.57	3.58	7.12	8.11	-0.52	10.16	8.33	9.92	2.22
+/- Lehman Brothers Aggregate B	-2.65	1.00	-4.90	-0.03	-2.56	-0.56	0.31	-1.47	-0.09	-0.35	-1.89
Income \$	0.47	0.52	0.64	0.57	0.58	0.56	0.50	0.60	0.56	0.50	0.41
Capital Gains \$	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Expense Ratio %	0.50	0.52	0.54	0.54	0.54	0.54	0.55	0.56	0.57	0.57	0.57
Net Assets (\$mil)	938.2	732.2	856.4	782.6	702.1	722.7	627.1	538.0	602.6	764.1	827.6
NAV	10.73	10.01	10.69	10.49	10.63	10.91	10.35	10.77	11.09	11.67	11.52

**Trailing-Time-Period Performance****12-31-2003**

	Inception 02-01-83	YTD	3 Mo	12 Mo	3 Yr Annualized	5 Yr Annualized	10 Yr Annualized	15 Yr Annualized
Quartile Performance w/ Inv Cate	—	■	■	■	■	■	■	■
Total Return %	7.76	2.22	-0.40	2.22	6.77	5.93	5.95	7.19
+/- Lehman Brothers Aggregate B	—	-1.89	-0.72	-1.89	-0.80	-0.69	-1.00	-1.18
Load-Adjusted Return %	7.76	2.22	-0.40	2.22	6.77	5.93	5.95	7.19
Load- and Tax-Adjusted Return %	—	—	—	—	—	—	—	—

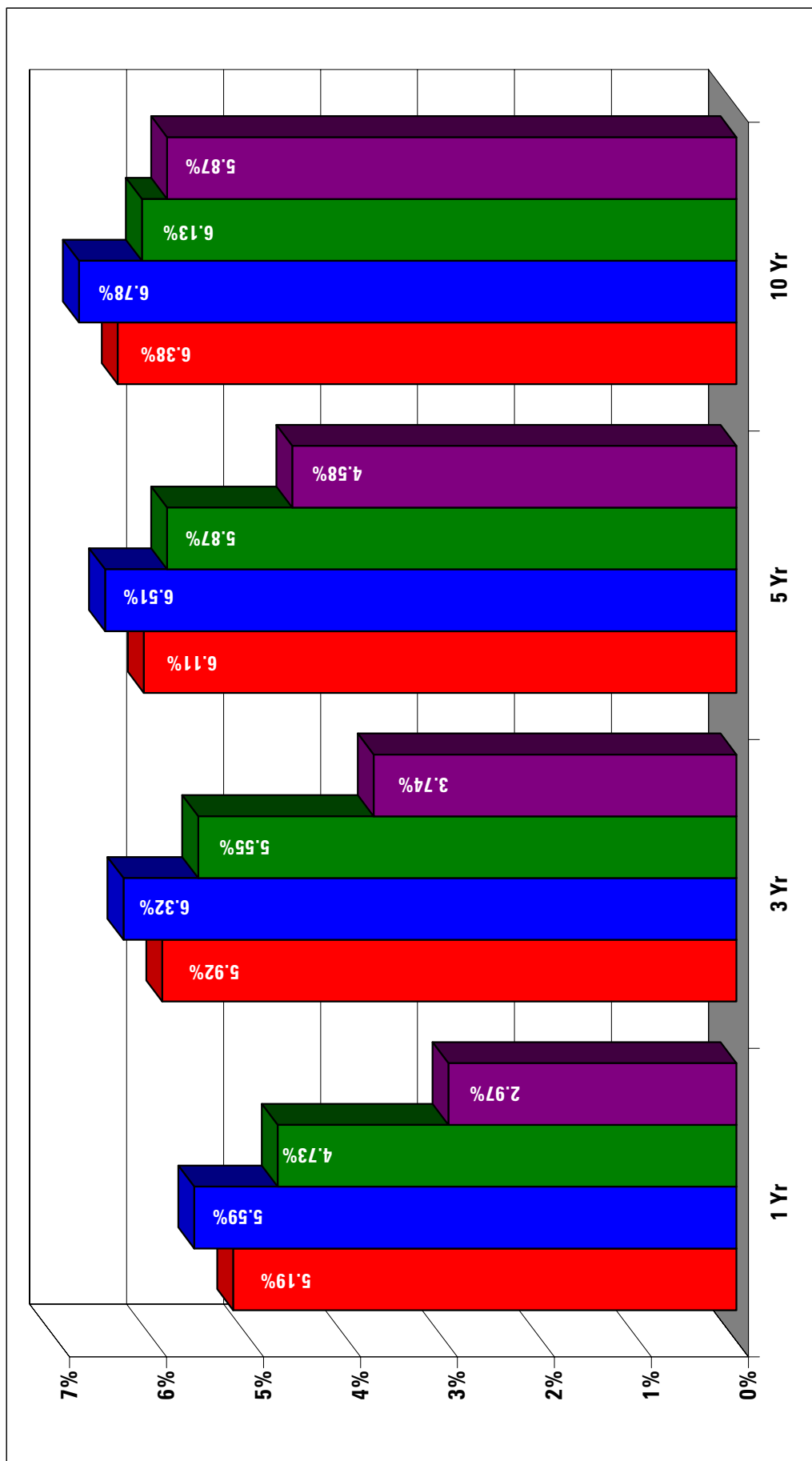
**Fees and Costs**

12b-1 Fee:	0.00 %	Expense Projection:	3 Yr: \$ 255	Front-End Load:	0.00 %	12 Month:	3.52 %
Expense Ratio:	0.57 %		5 Yr: \$ 144	Deferred Load:	0.00 %	SEC	2.13 %

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# Wisconsin Stable Value Option

December 31, 2003



Fund Name				
Wisconsin Stable Value Option - Net of Fees	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr
Wisconsin Stable Value Option - Gross of Fees	5.19%	5.92%	6.11%	6.38%
Peer Group Average: Hueler Analytics Pooled Fund Universe Average	5.59%	6.32%	6.51%	6.78%
Benchmark Index: 5 Year CMT Index	4.73%	5.55%	5.87%	6.13%
	2.97%	3.74%	4.58%	5.87%

Fourth Quarter 2003

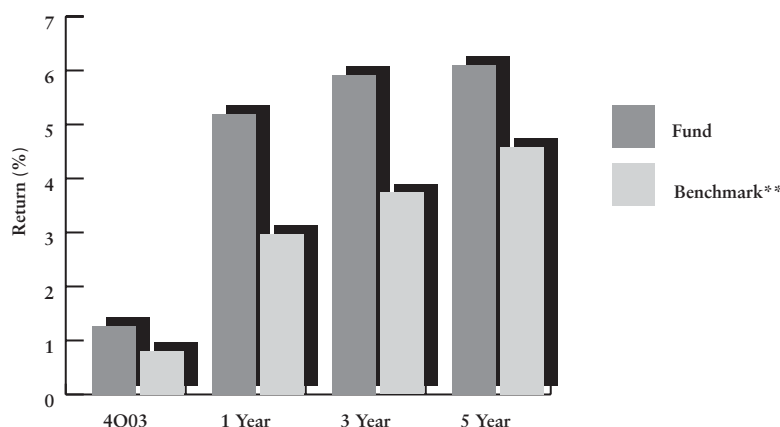
## Wisconsin Deferred Compensation Plan - Stable Value Fund

### Investment Objectives

The WDC Stable Value Fund is conservatively managed to protect principal while providing the potential for higher rates of return compared to other conservative investments, such as money market funds. To achieve this, the fund invests in diversified portfolios of intermediate maturity fixed income securities. To provide a stabilized earnings rate and for benefit payments at book value (deposits plus interest), the fund enters into contracts to guarantee book value with highly-rated financial institutions.

In managing the fixed income securities, the fund incorporates the investment styles of three nationally recognized fixed income managers. Within the constraints of the fund's overall investment objectives and high quality guidelines, each company manages a portfolio in their unique style. Blending the different investment styles of the managers provides broader portfolio diversification and additional return stability in varying economic and interest rate environments.

### Annualized Performance (%)



As of 12/31/03	4Q03	1 Year	3 Year	5 Year
WDC Fund (After Fees)*	1.27	5.19	5.92	6.11
Benchmark**	0.81	2.97	3.74	4.58

\*\* 5 Year Constant Maturity Treasury

### Portfolio Characteristics

		Investment & Contract Issuer Credit Quality	
Blended Yield (After Fees)	5.13%	J.P. Morgan Chase Bank	AA-
Weighted Average Quality	AA	Monumental Life	AA
Weighted Average Maturity	3.6 Years	Wells Fargo Stable Return Fund	AA+

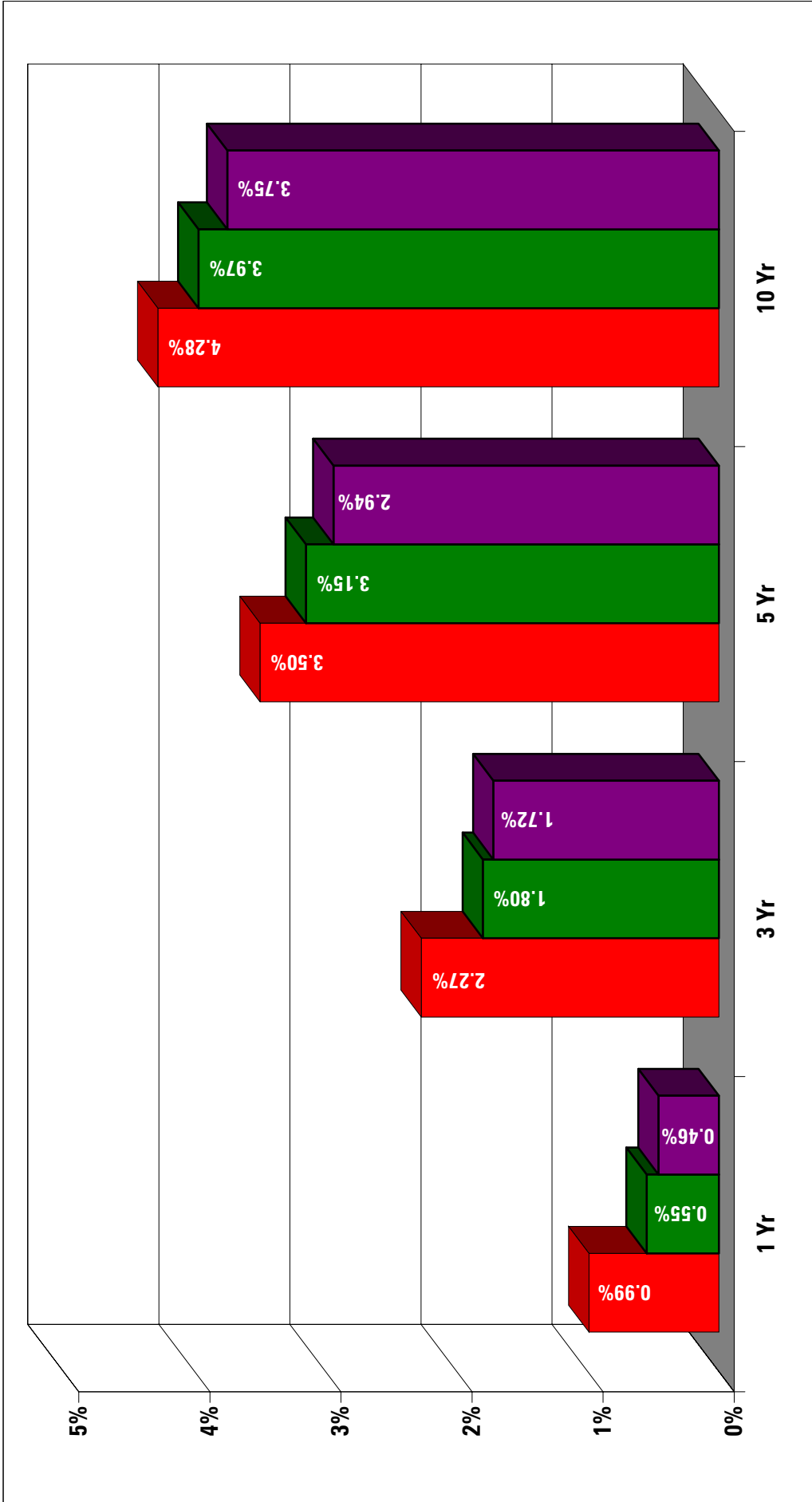
### Fund Management

Galliard Capital Management, a subsidiary of Wells Fargo & Company, serves as the overall stable value manager for the Fund. Alliance Capital and Pacific Investment Management Company (PIMCO), both nationally recognized fixed income managers, are sub-advisors to the Fund.

\*The Fund is not insured by the FDIC, Federal Reserve Bank, nor guaranteed by Wells Fargo Bank N.A. Performance is reported net of management fees of approximately 0.21%. Performance may vary by participant, depending on timing of cashflows. Past performance is no guarantee of future results. For more information on the fund please contact your program administrator.

Vanguard Admiral Treasury Money Market Fund

December 31, 2003



Fund Name				
Vanguard Admiral Treasury Money Market Fund	Total Return 1 Yr	Total Return 3 Yr	Total Return 5 Yr	Total Return 10 Yr
Peer Group Average Tot Ret: Lipper US Treasury Money Market Funds	0.99%	2.27%	3.50%	4.28%
Benchmark Index: iMoneyNet Money Fund Report Avg 100% Treasury Fund	0.55%	1.80%	3.15%	3.97%
	0.46%	1.72%	2.94%	3.75%

**Marshall & Ilsley Bank, Milwaukee Wisconsin\***  
**FDIC Insured Savings Option**  
**December 31, 2003**

2,862 Participant Accounts – 7.05% of Total  
 \$31,699,506 in Assets - 2.36% of Total  
 M&I became the FDIC provider on December 29, 2000

2003 Review of the FDIC Option Compared to Board's Established Criteria	
Board's Criteria	2003 Assessment
Maintain Federal Deposit Insurance Corporation (FDIC) coverage.	M&I continued to provide FDIC protection to Plan participants during the 4 <sup>th</sup> Qtr 2003.
Meet the capital ratio as prescribed by the U.S. government.	Their risk adjusted capital ratio as of December 31, 2003 was 11.37% and met the requirements of the U.S. government for continuing FDIC coverage.
Minimum of \$1 billion in assets.	Their assets are currently \$30.0 billion, which exceeds the minimum size requirement.

Upon the effective date of the agreement the State will determine the dollar level of assets on deposit in the State Account upon which the fixed rate calculation will be applied, with the remaining assets on deposit being assigned to the floating rate calculation. The fixed and floating rate assigned to each portion of Plan assets is calculated as described in A and B below. The rate that will be applied to all Participant Savings Account balances will be the blended rate of return. This rate will be determined on a quarterly basis.

- A. **FIXED RATE:** The fixed rate is based on the 12 month LIBOR, not to exceed the remaining term of the Agreement, less a spread of 0.25% to be reset annually. The rate will be determined by published sources as of two business days prior to the account reset date.
- B. **FLOATING RATE:** The floating rate will be based on the 3 month LIBOR, not to exceed the remaining term of the Agreement, less a spread of 0.25% to be reset quarterly. This rate will be determined by published sources as of two (2) business days prior to the account reset date.

Date	1 Year LIBOR	3 Month LIBOR	Blended Rate	Blended Rate – 0.25%
12/30/02	1.453%	1.398%	1.425%	1.425 – 0.25 = 1.175%
03/28/03	1.453%	1.306%	1.380%	1.380 – 0.25 = 1.130%
06/27/03	1.453%	1.128%	1.291%	1.291 – 0.25 = 1.041%
09/29/03	1.453%	1.155%	1.304%	1.304 – 0.25 = 1.054%
12/29/03	1.440%	1.178%	1.243%	1.243 – 0.25 = 0.993%

The following page compares M&I's quarterly rates credited to WDC participants with their passbook savings rates paid throughout the year.

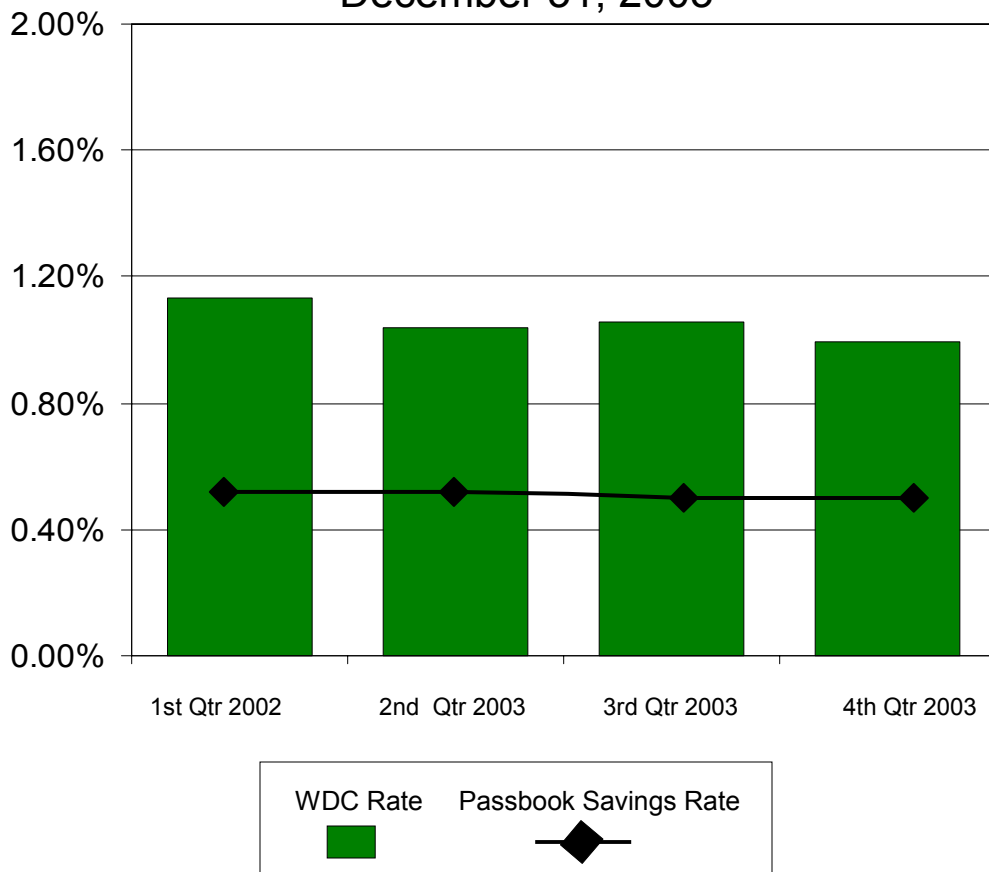
\* The M&I Bank of Southern Wisconsin merged with the Marshall & Ilsley Bank, Milwaukee, Wisconsin (M&I).



# Marshall & Ilsley Bank

FDIC

December 31, 2003



	1st Qtr 2003	2nd Qtr 2003	3rd Qtr 2003	4th Qtr 2003
<b>M&amp;I's WDC Rate</b>	1.130%	1.041%	1.054%	0.993%
<b>M&amp;I's Passbook Savings Rate*</b>	0.50%	0.50%	0.45%	0.45%

\*The WDC Rate is declared at the beginning of each quarter and is guaranteed for the quarter. The Passbook Savings Rate is subject to change at any time. The table above reflects the highest passbook rate in effect during each month of the respective quarter.

**Wisconsin Deferred Compensation Program**  
**Deferred Compensation Board**  
**Investment Policy Statement**  
*Approved by the Deferred Compensation Board November 1998*

**Objective:**

The Wisconsin Deferred Compensation Program (WDC) will provide participants with the ability to invest pre-tax income in a broad range of investment alternatives with diverse risk and return characteristics. The Deferred Compensation Board's goal is to ensure the WDC offers sufficient investment choices to meet participants' needs when establishing their personal retirement savings portfolio.

**Investment Spectrum:**

The Board will maintain a core investment spectrum, normally between eight and twenty options, to ensure sufficient choices are available and are reasonable in number to allow the average participant to decide which options best meet their personal needs. The spectrum will be comprised of fixed options and publicly traded mutual fund options from the following categories:

1. *Fixed income/cash investments - FDIC insured bank account option, stable value fund, or money market mutual fund.*
2. *Bond mutual funds - government or corporate bond funds, domestic or international, active or passive management.*
3. *Balanced mutual fund – combining equity and bond investments in one option*
4. *Domestic large cap equity mutual funds – including both active and passive (index) investments; funds with investment objectives that may include: growth and income, growth, aggressive growth, value, and blend of growth and value.*
5. *Domestic small and mid cap equity mutual funds – growth, value or blend.*
6. *International or foreign equity mutual funds – growth, value or blend.*

**Selection Process:**

The Board may from time to time provide additional investment alternatives and may change the categories of funds offered to maintain a broad spectrum to address participants' changing needs or changes to the investment industry. The Board has established minimum criteria for selecting and evaluating the options offered by the WDC.

Mutual fund options are selected from the universe of publicly traded funds through a comprehensive search process. For an option to be considered for the WDC, it must meet the established minimum requirements in regard to: asset size, years in operation, costs (expense ratio and sales fees), and historical performance. Once the initial screening has occurred, options are further analyzed based on criteria that includes, but is not limited to: short and long term performance as compared to peer group average and benchmarks, risk/return measurements, manager tenure, and industry ratings (such as Morningstar). Fixed income investments must also meet minimum criteria established by the Board (see attachment 1) and are selected from a competitive request for proposal process.

**Evaluation Process:**

To ensure options continue to be suitable for offering to WDC participants and are consistent with the established investment policy, the Board completes a comprehensive evaluation each year. Performance benchmarks are specifically established for each investment option and include a comparison to their peer group average, an appropriate index measurement, and an internal benchmark identified by the fund manager. Volatility is also measured by an analysis of risk versus return.

If the Board determines an option is no longer acceptable for continued offering, the Board may close the investment to new participant elections or initiate the process to phase the option out of the WDC and require participants to move account balances to an alternate choice. The steps in the review process are as follows:

- 1. A determination is made that a fund is unacceptable for offering. The Board can either close the fund to new elections and proceed with step 2, or initiate the phase out process to remove the fund from the WDC and skip step 2 and 3 and go directly to step 4.*
- 2. As a result of the next year's annual review, if it is determined to once again be acceptable, the fund is re-opened to participant elections.*
- 3. If improvements have occurred but it is not completely meeting all established criteria and/or there are remaining questions about its performance in can be continued in it's current closed status for an additional year.*
- 4. If the review demonstrates that the fund continues to be unacceptable for offering, the Board can initiate the process to phase it out of the WDC over a minimum of a one-year period (as required in Wisconsin Administrative Code ETF 70.08(3)).*
- 5. Participants are instructed to re-direct deferrals to an alternate choice within a period of not less than six-months from the original notification. If this action is not taken, deferrals being directed into the option being removed will automatically be redirected to an alternate option as designated by the Board.*
- 6. Participants are instructed to transfer existing balances to an alternate choice within a period of not less than one year from the original notification. If this action is not taken, account balances not exchanged out of the option being removed will automatically be redirected to an alternate option as designated by the Board.*

**Responsibilities:**

Deferred Compensation Board – The Board is responsible for selecting appropriate investment options for offering by the WDC and monitoring the selections to ensure they continue to be acceptable for long-term retirement savings.

Investment Providers – The companies contracted to provide an investment option to the WDC are responsible for following the investment objectives that were either, identified during the competitive bid process (for fixed income options) or stated in their fund prospectus (for mutual funds).

Department of Employee Trust Funds and Administrative Services Provider staff – Staff is responsible for completing the annual evaluation to monitor the WDC investment choices and providing sufficient analysis and information on which the Board can base decisions regarding maintaining, removing or adding investment options to the WDC. Staff is also responsible for providing sufficient information about the available investment choices and how to structure a retirement savings portfolio to enable participants to make informed decisions.

Participants – Investment decisions are the full responsibility of participants and their beneficiaries. Although the Board monitors the options that are being made available, participants are responsible for deciding which, if any, of the available choices are the most appropriate for their supplemental retirement savings needs.

## Investment Objectives and Guidelines

### State of Wisconsin Deferred Compensation Plan - Stable Value Fund

#### Investment Objectives:

The primary objective of the portfolio is to provide safety of principal and a stable credit rate, while generating a competitive return. The underlying fixed income portfolio on an aggregated basis shall conform to the following guidelines.

#### A. SECTOR

<u>Fund Level</u>	<u>Minimum Weighting</u>	<u>Target Weighting</u>	<u>Maximum Weighting</u>
Cash Equivalents & Buffer	15%	20%	30%
Managed Synthetics*	70%	80%	85%

#### Underlying Asset Level

U.S. Government/Agency	0%	100%
Corporates	0%	50%
Asset Backed	0%	25%
Mortgage Backed	0%	65%
Non-U.S. Issuers (Yankee only)	0%	10%

No more than 5% of the aggregate portfolio will be invested in any one corporate issuer.

No more than 10% of aggregate portfolio will be invested in any other issuer other than the U.S. Government or its agencies.

No more than 20% of aggregate portfolio at time of purchase will be invested in corporate bonds within a single S&P industry code.

\*All managed portfolios must have book value wrap contracts in place.

#### B. Quality

#### Contract Level

The minimum weighted average quality of the contracts will be maintained at Aa3/AA-. Contract issuers must be on the Galliard "approved" list at the time of purchase.

### **Underlying Asset Level**

All securities will be rated investment grade at time of purchase. The minimum weighted average quality of the underlying assets will be maintained at AA-/Aa3.

<u>Composite Long-Term Rating</u>	<u>Minimum Weighting</u>	<u>Maximum Weighting</u>
AA-/Aa3 or better	50%	100%
A-/A3 to A+/A1	0%	40%
BBB-/Baa3 to BBB+/Baa1	0%	20%

Minimum rating on money market instruments will be A1/P1 at time of purchase.

### **C. DURATION**

**Target Effective Duration** - 4.0 years for overall portfolio. The overall portfolio shall be maintained within  $\pm 1$  year of the target duration.

### **D. PERFORMANCE**

#### **Overall Fund:**

The long-term portfolio goal is to provide a credited rate of interest to participants exceeding a similar duration U.S. Treasury Bond Yield (measured using the "Constant Maturity Treasury Bond" return calculation).

#### **Individual Managers:**

Individual manager performance is expected to exceed established benchmarks by at least .50% on a net of fees basis over a market cycle.

### **E. PERMISSIBLE SECURITIES\***

1. U.S. Treasury notes, bonds, bills
2. U.S. Federal Agency Securities
3. Asset-backed securities
4. Corporate notes, bonds, and debentures, including domestic and foreign issuers (Yankee bonds), and securities issued under Rule 144A
5. Mortgage-backed securities
6. Mortgage pass through securities
7. Municipal securities
8. Forward purchase agreements
9. U.S. Treasury futures and Euro-dollar futures Agreements
10. Federal Funds
11. Repurchase Agreements

12. Money market instruments
13. Collective Funds investing in the above

\*All securities will be U.S. dollar denominated only.

## **F. ADDITIONAL RISK MANAGEMENT GUIDELINES**

### **1. Duration Stress Tests**

Entire portfolio must remain within .5 years of effective duration guidelines subject to  $\pm$  300 bp stress test of the portfolio.

### **2. Diversification**

The net exposure to any one issuer or counterpart (including principal exposure to their securities plus any difference between market value and book value on outstanding contracts) shall not exceed 7.5% of the Fund.

### **3. Credit Quality**

In the case of a split rating on securities, the higher rating shall apply. For securities downgraded below investment grade, or A1/P1 for short term securities, the manager shall be allowed up to 90 days to liquidate the security in an orderly fashion.

For securities downgrade to BBB+/Baa1 or lower, to the extent the 20% maximum in BBB/Baa rated securities is exceeded, the manager shall be allowed up to 90 days to come back into compliance.

### **4. Portfolio Leverage and Derivatives**

**The portfolio may not be leveraged.** Derivatives may be used to hedge portfolio or manage portfolio duration and cannot be used to leverage the portfolio in any manner or for speculative purposes. Any derivative products in the portfolio will be included in all measures of portfolio performance, including yield, duration, and convexity.

The portfolio may purchase securities for forward delivery as long as the position is fully incorporated in calculating the portfolio's duration.

The portfolio may purchase securities on a when-issued basis as long as the position is fully incorporated in calculating the portfolio's duration. Cash or cash equivalents must be held to meet forward commitments including mortgage rolls.

All structured notes which are issued by a non-governmental issuer must be rated A or better.